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“Insolvency Dilemmas: NCLAT’s Verdict on Section 185 Compliance in CIRP Claims”

NCLAT Delhi, in the matter of AVJ Heights Apartment Owners Association Vs. India Infoline Finance Ltd have dealt with the question where financial contract which was not in compliance of certain provisions of the Companies Act, 2013 can be admitted as a claim under Corporate Insolvency Resolution process (CIRP)?

The facts were as follows:

- AVJ Developers (India) Pvt. Ltd (hereinafter called Company/Corporate debtor) obtained 3 loans amounting approximately to Rs.131 Crores from India Infoline Finance Ltd (herein after called lender). However, the Company was not able to repay the same.
- A promoter director of the company obtained a loan from the same lender to settle the unpaid loans taken by the company. And the company provided a guarantee and security against a loan taken by the promoter director but had not created any charge on the assets. This action triggers the provisions of Section 185 because it involves a loan transaction between the company and its director.
- Eventually, the director was not able to repay the loan.
- The lender filed a petition under section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC) before NCLT and the CIRP was initiated against the Company.
- The intervention petition was filed by the Company before NCLAT to set aside the impugned order stating that the guarantee given was in violation of Section 185 of the Act and hence cannot be enforced against the company. Further the security provided is not registered with ROC and therefore the claim cannot be verified with the books of the company.

After considering the above facts and examining relevant regulations (regulation 8) of the Insolvency and Bankruptcy Board of India (CIRP Regulations, 2016), NCLAT observed that:

- It is not stated anywhere that verification of the claimants’ records will not be tantamount to verification of records. Furthermore, regulation 8 does not specify that only the corporate debtor's records shall be examined and verified for the admission of a claim.
- A claim can be admitted as financial debt if the guarantee for the money borrowed by the principal debtor from the creditor is supported by a guarantee agreement.
- In the given case, RP should have admitted the claim as lender has not only filed the documents reflecting transfer of money, creation of obligation by way of guarantee, but also furnished security by way of mortgage.

In brief, the NCLAT held that the claimants’ records should be taken into consideration as regulation 8 does not limit the scope to only examining and verifying the corporate debtor's records for the admission of a claim.

The next question before NCALT was **whether the mortgaged agreement approved by the Board of the Company which is not in accordance with the provisions of Section 185 of the Act be considered by the other parties or not?**

In this matter, the court observed that normally the other parties are not privy of the internal document of the company and the claimant has relied on the Board Resolution provided by the other side. However, Section 185 of the Act itself provides for punitive action vide Section 185(4) provides clarity to issue.

Transaction in violation of section 185 of the Act does not in any manner inhibit claimant from filing claim under IBC. That cannot be grounds for rejection of claim. The purpose of IBC is different. For the violation of provisions of Act, the law has different consequences. A similar view was taken by NCLAT New Delhi in the case of Kalpesh Ramniklal Shah Vs. Mundara Estate Developers Ltd. w.r.t filing of application u/s 7 of IBC application and take appropriate proceedings under the IBC.

Conclusion

On the basis of the abovementioned orders of NCLAT, it can be noted that financial institutions which have extended credit based on documents provided by the Company deserve fair consideration. The IBC's purpose remains distinct from penalizing statutory violations unrelated to insolvency proceedings. NCLAT's view reinforces the need for a balanced approach—one that upholds legal norms while recognizing the overarching goal of insolvency resolution. Financial institutions can seek relief under the IBC in such cases.

The article is published in TaxGuru and can be accessed on the following link:

<https://taxguru.in/company-law/nclats-verdict-section-185-compliance-cirp-claims.html>

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"Uncovering Regulatory Authority: Understanding the Sources of Regulatory Action"

Introduction

Regulatory actions are common when it comes to corporate world. In a disclosure-based regime information is easily available to regulators to identify non-compliance. Disclosures based regime here not only envisages disclosures made by listed companies to stock exchange for compliance with certain laws but also includes income tax return filed by companies with tax authorities, tax returns filed by various entities forming of listed entities with tax authorities, indirect tax returns filed by listed companies etc. Even if these returns are filed for a specified purpose of complying with income tax, indirect tax etc but still they are source of information that can be useful to regulators. Financial and other regulatory authorities have started sharing this data with other regulatory authorities.

In this article we shall see cases wherein such breaking of inter regulatory silo is seen. Also, we shall see what various avenues from which information is received by SEBI for enforcement.

A. References by Income Tax department

Securities and Exchange Board of India (SEBI) has signed a Memorandum of Understanding (MoU) with Central Board of Direct Taxes (CBDT), Government of India, today, for data exchange between the two organizations. This MoU will facilitate the sharing of data and information between CBDT and SEBI on an automatic and regular basis. The MoU will ensure that both CBDT and SEBI have seamless linkage for data exchangeⁱ. SEBI has received numerous references from Income Tax department with respect to certain companies or individuals with respect to alleged violations of various SEBI regulations. Details of same are as follows:

- a. **Reference received in the matter of ABG Shipyard Ltd:** In the matter of ABG Shipyard Ltd SEBI had received letter from Income Tax department dated October 24, 2013, whereby it was informed that ABG Shipyard Ltd along with its promoter group entity Second Land Developers Pvt. Ltd. known as 'ABG Resources Private Ltd.' had approached Income Tax Settlement Commission ('ITSC') and in the proceedings before the ITSC, ABG had submitted that it had debited bogus purchases to its accounts and the money so taken out was applied towards purchase of land through number of companies including SLDPL. Thus, the funds to the tune of ₹101 Cr had been admittedly diverted by ABG for making investments in other companies controlled by its promotersⁱⁱ". The matter was referred to SEBI for ascertaining whether this would have led to violation of any SEBI regulations. SEBI then took up the investigation in this matter.
- b. **Reference received in the matter of Maitreya Services Private Ltd:** SEBI received similar reference in the matter of Maitreya Services Private Ltd and two ors vide letter dated September 21, 2010 from the Income Tax Department informing it of suspicious transactions in the nature of running an unregistered Collective Investment Scheme by M/s Maitreya Services Private Limited, resulting into serious contraventions of various provisions of the Securities and Exchange Board of India Act, 1992 and Regulations made thereunder. The Income Tax Department also forwarded certain documents including copies of statements of Mrs. Varsha Madhusudan Satpalkar, a director of M/s. Maitreya Services Private Limited. On perusal of the reference received from the Income Tax

Department, SEBI carried out examination of the activities and operations of M/s. Maitreya Services Private Limited by examining the memorandum and articles of association of the Maitreya Services Private Limited, details of its present and past directors, details of various schemes / offers made to the public, relevant application forms submitted and registration letters issued thereunder, details of funds mobilized from investors under those schemes / offers, details of regulatory approvals obtained etc. Examination prima facie revealed the activities of the Maitreya Services Private Limited to be in the nature of unregistered collective investment schemeⁱⁱⁱ. SEBI then conducted a detailed an investigation and passed an order in this matter.

- c. **Reference in the matter of Nouveau Global Ltd:** SEBI received references from Department of Income Tax alleging manipulation and bogus Long Term Capital Gains in the scrip of Nouveau Global Ventures Limited ('NGVL'). Thereafter, SEBI conducted an investigation with respect to the alleged irregularities in the scrip of NGVL during the period from December 01, 2010, to March 28, 2013. SEBI observed that certain entities including Pavan Roller Flour Mills Private Limited, which was one of the promoters of NGVL at the relevant time, had transacted in the scrip of the NGVL on multiple occasions, during December 01, 2010, to March 28, 2013. SEBI further observed that in respect of share transactions carried out by Noticee, it had failed to make requisite disclosures in terms of applicable SEBI regulations^{iv}.

So, it is not only the information that is filed with SEBI or disclosed to stock exchange, but any irregularities found in disclosures made to various other regulators can lead to initiation of investigation by any regulator.

B. Reference by National Financial Regulatory Authority

SEBI received a financial reporting quality review report dated February 14, 2022, from National Financial Reporting Authority in the matter of Prabhu Steel Industries Limited wherein it noted serious lapses with respect to accounting and auditing standards. On receipt of the said report, SEBI conducted an investigation to ascertain if there was misrepresentation in financial statements of PSIL^v.

C. Reference received through SCORES.

- a. **Related Party Transactions in the matter of Williamson Magor and Company Ltd:** SEBI received a complaint through SCORES, inter-alia alleging that Williamson Magor and Company Ltd, entered into a related party transaction with Babcock Borsig Ltd., its associate company, involving sale of 1,13,360 shares of Woodlands Multispecialty Hospital Ltd. It was alleged that the transaction was undertaken without corporate approvals and without making appropriate disclosures under the accounting standards. The complaint was being dealt with, on the SCORES platform and later converted into a case and dealt with offline^{vi}.
- b. **Wrongful inclusion of name as promoter or promoter group:** SEBI received a complaint no. SEBIE/MH19/0007594/1 dated November 25, 2019 on SCORES platform from one entity Mr. Sunil Goel (hereinafter referred to as 'the Complainant') referred to wrongful inclusion of his name in the list of promoter/ promoter group entities which had led to subsequent freezing of the complainant's demat accounts and a plea for reclassification of his status as a promoter^{vii}.
- c. **Maintenance of minimum public shareholding:** In the matter of Jaya Krishna Taparia on 4th June, 2014, SEBI received a complaint on the SCORES platform alleging that the

Company had failed to comply with Rule 19A of the Securities Contract Regulation rules, 1957 and had moved some of the promoters to the public category thereby cheating its shareholders. Pursuant to an enquiry SEBI passed an ex-parte ad-interim order dated 20th May 2015 issuing certain direction which has already been extracted aforesaid on the ground that the appellant Company had failed to meet the minimum public shareholding requirements^{viii}.

- d. **Failed to file accurate, adequate and explicit disclosures under reg. 30 and various other filings:** In separate two instances SEBI conducted an examination in the matter of AGI Greenpac Limited based on the complaints received from Soneko Marketing (P) Ltd and HNG Industries Thozhilalar Nala Sangam^{ix} and upon receipt of a complaint dated August 15, 2020 against the Perfect Octave Media Projects Limited, conducted an examination and based on the findings of examination, SEBI initiated adjudication proceedings against Perfect Octave Media Projects Limited^x. In both these complaints received by SEBI it was highlighted that the respective companies had failed to file accurate, adequate, and explicit disclosure under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 with stock exchange.

D. Reference received through Goods and Service Tax Authorities

As per the corporate announcement made by the LEEL Electricals Ltd on May 08, 2017, the CD business was acquired by Havells India Ltd. (Havells) for a consideration of Rs. 1550 Crore. Subsequent to the said transaction, SEBI received a complaint dated November 13, 2018, from a shareholder of the Company, inter alia alleging that promoters and the senior management of the Company have diverted funds including the funds received from the sale of the CD business. **SEBI also received a letter dated February 15, 2019, from the Office of the Commissioner for Central Goods and Service Tax** which inter alia stated that LEEL had availed GST input tax credit of Rs. 40.53 Crore against reported purchase of material amounting to Rs. 225.19 Crore without actually receiving any goods and without any underlying financial transactions. The letter also mentioned that the Whole Time Director and Chief Financial Officer of LEEL had admitted in a statement filed before the High Court of Rajasthan that the company had entered into such transactions to show an increase in the volume of turnover^{xi}. With this information SEBI investigated the matter and penalised the guilty.

E. Reference received through Institute of Chartered Accountants of India

Securities and Exchange Board of India (hereinafter referred to as 'SEBI') had received a reference from the Institute of Chartered Accountants of India ("ICAI") dated April 28, 2023, against Kaarya Facilities and Services Limited ("Noticee 1" / "Company" / "Kaarya"). The ICAI has, inter-alia, observed number of irregularities in the financial statements of Noticee 1 for Financial Year 2018-19 and requested SEBI to take appropriate action in the matter^{xii}.

F. Reference received through certifications given by professionals or quarterly compliances with SEBI.

SEBI conducted an investigation into the disclosures made by Nutricircle Ltd on receipt of a report from a merchant banker. Merchant banker had prepared a document dt: January 18, 2023, regarding the compliance of LODR Regulations while delating with open offer made by certain acquirers in the scrip of Nutricircle^{xiii}.

Conclusion

It is necessary to understand that not only disclosures made under SEBI regulations are sources of information for SEBI. As seen above, the watchdog also draws inferences from information shared or returns filed under various other laws and regulations. This broader data ecosystem enhances its ability to gather insights and conduct thorough regulatory oversight, demonstrating the importance of a comprehensive and integrated approach to information sharing among regulatory entities. It underscores the complexity and interconnectedness of regulatory functions, highlighting the need for seamless information sharing and coordinated actions among regulatory bodies to uphold market integrity and safeguard investor confidence.

This article is published in Taxmann. The link to the same is as follows: -

<https://www.taxmann.com/research/company-and-sebi/top-story/10501000000023970/uncovering-regulatory-authority-understanding-the-sources-of-regulatory-action-experts-opinion>

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ⁱ https://www.sebi.gov.in/media/press-releases/jul-2020/sebi-signs-mou-with-cbdt_47030.html

ⁱⁱ https://www.sebi.gov.in/enforcement/orders/dec-2019/adjudication-order-in-respect-of-5-entities-in-the-matter-of-abg-shipyard-limited_45499.html

ⁱⁱⁱ https://www.sebi.gov.in/enforcement/orders/nov-2018/adjudication-order-in-respect-of-three-entities-in-the-matter-of-maitreya-services-pvt-ltd-_41195.html

^{iv} https://www.sebi.gov.in/enforcement/orders/jun-2021/adjudication-order-in-the-matter-of-nouveau-global-ventures-limited_50648.html

^v https://www.sebi.gov.in/enforcement/orders/apr-2024/adjudication-order-in-the-matter-of-prabhu-steels-limited_82865.html

^{vi} https://www.sebi.gov.in/enforcement/orders/apr-2024/adjudication-order-in-the-matter-of-williamson-magor-and-company-limited_82864.html

^{vii} https://www.sebi.gov.in/enforcement/orders/feb-2021/adjudication-order-in-the-matter-of-real-growth-commercial-enterprises-limited_49114.html

^{viii} https://sat.gov.in/english/pdf/E2021_JO2019435_55.PDF

^{ix} https://www.sebi.gov.in/enforcement/orders/apr-2024/adjudication-order-in-the-matter-of-agi-greenpac-limited_83117.html

^x https://www.sebi.gov.in/enforcement/orders/mar-2024/adjudication-order-in-the-matter-of-perfect-octave-media-projects-ltd-_82551.html

^{xi} https://www.sebi.gov.in/enforcement/orders/apr-2024/final-order-in-the-matter-of-leel-electricals-ltd-_82934.html

^{xii} https://www.sebi.gov.in/enforcement/orders/mar-2024/adjudication-order-in-respect-of-4-entities-in-the-matter-of-kaarya-facilities-and-services-ltd-_82613.html

^{xiii} https://www.sebi.gov.in/enforcement/orders/mar-2024/adjudication-order-in-respect-of-nutricircle-limited-and-sunil-kumar-agarwal-in-the-matter-of-nutricircle-limited_82552.html



Deciphering the Commencement of UPSI in Acquisition Scenarios: A Comprehensive Analysis

Understanding UPSI and its Regulatory Implications

Before delving into specific cases, it's essential to grasp the concept of UPSI and its regulatory implications. UPSI refers to crucial information that has not been disclosed to the public and, if revealed, can significantly impact the price of securities. Regulatory bodies like the Securities and Exchange Board of India (SEBI) mandate stringent guidelines to ensure transparency and fairness in disclosing UPSI, particularly in the context of acquisitions where sensitive information can influence market dynamics and investor sentiments.

UPSI – Definition as per SEBI (Prohibition of Insider Trading) Regulations (PIT), 2015 [‘PIT Regulations’]

UPSI is defined under SEBI PIT Regulations, 2015 under **clause 2(1)(n)**:

"**Unpublished Price Sensitive Information**" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following:

- i. Financial Results
- ii. Dividends
- iii. Change in Capital Structure
- iv. Mergers, De-mergers, Acquisitions, Delistings, Disposals and Expansion of Business and such other transactions
- v. Changes in key managerial personnel

Acquisition, disposal or expansion of business is considered as UPSI as per PIT Regulations unless it is proved otherwise. Question may arise as to when can we say UPSI relating to Acquisition, disposal or expansion of business has been crystallised for the purpose of various compliances under PIT Regulations? Exact start date of UPSI relating to Acquisition, disposal or expansion of business would differ on case-to-case basis. But it is necessary to ascertain event when UPSI relating to Acquisition, disposal or expansion of business is considered to have started. To analyse the same, we would go through few of the adjudication orders of SEBI.

Case Studies in UPSI Initiation: Unravelling Key Milestones

1. **SEBI Adjudication order in the matter of Edelweiss Financial Services Limited(‘EFSL’)**: In this case Ecap Equities Limited (‘Ecap’), a wholly owned subsidiary of EFSL, had acquired Alternative Investment Market Advisors Private Limited (hereinafter referred to as ‘AIMIN’), a fintech company, on April 05, 2017 by entering into a share purchase agreement (SPA). Further, a Term Sheet in respect of the said transaction was signed between Ecap and AIMIN on January 25, 2017. SEBI considered this acquisition by step down WOS of EFSL as UPSI. Question now was as to when did UPSI relating to acquisition start? SEBI stated that the date of signing of term sheet by EFSL would be start date of UPSI. With respect to the question as to when did UPSI relating to this acquisition start it was argued before SEBI that signing of term sheet cannot be

considered as start date of UPSI as there were various rounds of discussions going on even after signing term sheet. SEBI further stated that major terms and conditions including consideration for the transaction was given in the term sheet. SEBI further stated that EFSL had already commenced its due diligence (transaction) during the period from September 2016 to October 2016. Clause 11 of the term-sheet states that it is binding in nature and cannot be terminated by parties in any manner whatsoever. This clearly showed that the intent and plans of acquisition by Ecap had concretised at the time of signing of Term Sheet itself. Hence SEBI further stated that general argument that the Term Sheet, prima facie, is non-binding and revocable in nature factually incorrect and not acceptable in this case.

SEBI considered signing of term sheet as start date of UPSI in this case citing terms and conditions mentioned in the term sheet. So it is not always that term sheet signing would be start date of UPSI but in this case terms and conditions depicted that parties have in principle agreed to do the transaction hence it was considered as start date of UPSI. This led to understanding that it is concrete now that EFSL would do the acquisition.

2. **In the matter of Jubilant Life Sciences Ltd:** Deliberation had also happened with respect to start date of UPSI in the matter of Jubilant Life Sciences Ltdⁱⁱ. SEBI and SAT in this case held that UPSI relating to sale of entire business of subsidiary (i.e. Jubilant First Trust Healthcare Ltd ['JFTHL']) was a price sensitive information and it had come into existence on December 24, 2013 when Memorandum of Understanding (MoU) was entered into. Signing of MOU in general parlance would mean coming to an understanding and not actual sale but in this SEBI and SAT agreed that signing of MOU was the start date of UPSI with respect to sale of business of subsidiary. SEBI further noticed that board meeting of Jubilant Life Sciences Ltd was held on February 6, 2014 to discuss sale of business of subsidiary. SEBI further noticed that Business Transfer Agreement was signed on March 3, 2014 and disclosure regarding same was made to stock exchange on same day. SEBI held that from the series of these events it can be inferred that when the MOU was signed by JFTHL and Narayana Health regarding entire sale business of JFTHL, at that point of time this became a PSI. In general parlance signing of Memorandum of Understanding would not have much legal implications but in this case, it was considered as start date of UPSI relating to sale of business of subsidiary.
3. **SEBI adjudication order in the matter of Gammons Infrastructure Projects Ltdⁱⁱⁱ:** In this case Gammons Infrastructure Projects Ltd ('GIPL') and Simplex Infrastructure Projects Ltd ('SIPL') were awarded road construction projects by National Highway Authority of India. On April 26, 2012, GIPL entered into two Shareholders Agreements ("SHA") with Simplex pursuant to which GIPL and SIPL would invest each other's road construction projects. As a result of the aforementioned, GIPL and Simplex would hold 49% equity interest in the other's project. Subsequently board of directors of GIPL on August 9, 2013 decided to terminate SHAs entered with SIPL. This was considered as UPSI. Question was as to when would this UPSI be deemed to have come into existence. On investigation SEBI was informed by the GIPL that telephonic discussions between the senior management of GIPL and Simplex regarding termination of the aforementioned SHAs, had commenced during the second week of July 2013. GIPL also forwarded copies of several e-mails/correspondences from July 29, 2013 to August 28, 2013 exchanged in connection with termination of the SHAs, wherein it was observed that communication regarding modifications in the draft Termination Agreement had continued between GIPL and Simplex up to August 9, 2013 i.e. date of Board meeting where a decision for termination of SHAs was taken. SEBI stated that this initiation of conversation was the

start date of UPSI as it was the date when discussion was initiated with an intent to terminate the SHAs. They were concentrated towards a specified objective. With that intent drafts were being shared of termination etc.

- 4. SEBI adjudication order in the matter of Satyam Computers Services Ltd['SCSL']^{iv}:** In this case Mr Ramalinga Raju was contemplating some acquisitions to fend off takeover attempts. In this regard he called an urgent meeting at his residence for all senior officials of Satyam Computers incl. compliance officer. During the meeting he said that he was contemplating acquisition of Maytas Infrastructure Ltd (MIL) & Maytas Projects Ltd (MPL) by SCSL. Shri Ramalinga Raju further added that he planned to apprise the Board of Directors of SCSL of the proposed acquisitions.

SEBI on observing the chronology of events from December 06, 2008 (i.e. the day when Mr Ramalinga Raju contemplated acquisitions and informed company secretary to call a meeting) reveals that the said acquisition proposal was not one which could be viewed as premature or improbable. It was well known that all the three companies involved in the said acquisition proposal viz. SCSL, MIL and MPL were controlled by the same family i.e. family of Shri B. Ramalinga Raju. The proposal regarding the acquisition was made by none other than Shri B. Ramalinga Raju himself who was the chairman of SCSL at that time.

All these facts coupled with the facts that the proposal was discussed with top ranking officials of SCSL, that Mr. B. Ramalinga Raju intended to apprise the Board of directors of SCSL regarding the acquisitions and that Shri B. Ramalinga Raju instructed all those who met him at his residence to keep the matter confidential till the board meeting on December 16, 2008 leave no doubt whatsoever that it was a significant proposal and considering the size of MIL & MPL the same had vast financial and other implications for SCSL.

Thus, it was clear that the acquisition proposal was price sensitive information having huge implications. The events of December 06, 2008 and other factors as mentioned above not only establish that the acquisition proposal was 'price sensitive information, they also prove that the said proposal was price sensitive information right on the day it was initiated i.e. December 06, 2008. In this case SEBI considered the December 6 as start date of UPSI because as all actions were concentrated towards ensuring that merger of three companies materializes. The pivotal role of key decision-maker Raju Ramalingam, in conducting negotiation and finalizing the deal before formal board sanction was a defining factor in determining the start date of UPSI.

- 5. SEBI adjudication order in the matter of Biocon Ltd^v:** This matter pertains to UPSI where Biocon was entering into a collaboration agreement with Sandoz. In determining what would be the start date of UPSI SEBI held that on December 20, 2017, a draft of press release and question and answers were exchanged between the respective PR teams of the collaborating companies. This indicates that the negotiations between the companies had reached a stage where there was a high probability of the transaction to go through. In other words, the events of December 20, 2017 indicate a high degree of crystallisation of information and certain specific points were pending to be ironed out. The reason being that apart from the deal team who were working on the negotiations for the collaboration, now the PR teams of the respective companies were also involved in the transaction, indicating that in-principle agreement was reached / crystallised between the companies, though certain specific details were still being discussed. Thus, the wheels for the process of finalisation were set in motion by entering into a phase of final discussion on December 20, 2017, after almost 14 months of ongoing discussion since October 7, 2016.

Conclusion

Beyond specific cases, understanding decision-making structures and their impact on UPSI initiation is crucial. In scenarios for instance where a demerger committee is formed, UPSI initiation aligns with the committee's inception due to its centralized decision-making authority. Initiation of talks for termination of SHAs or floating a concrete proposal of merger of group companies by promoter director to fend off takeover clearly highlight that all actions should be directed to materialise that event. So, the stage in the acquisition from where all actions are directed towards achieving a specific outcome would be ideally the start date of UPSI. In different organisation structures this stage would be marked by different characteristic. This highlights the importance of organizational governance structures in delineating UPSI timelines and ensuring compliance with regulatory frameworks. The determination of UPSI initiation in acquisition cases necessitates a comprehensive understanding of decision-making dynamics, milestone events, and internal communication protocols.

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<https://www.taxmann.com/research/company-and-sebi/top-story/10501000000023981/deciphering-the-commencement-of-upsi-in-acquisition-scenarios-a-comprehensive-analysis-experts-opinion>

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ⁱ <https://www.sebi.gov.in/enforcement/orders/jul-2020/adjudication-order-in-respect-of-b-renganathan-in-the-matter-of-edelweiss-financial-services-ltd-47075.html>

ⁱⁱ <https://www.sebi.gov.in/enforcement/orders/jan-2018/adjudication-order-against-1-jubilant-life-sciences-limited-2-jubilant-stock-holding-private-limited-3-mr-shyam-sunder-bhartia-4-mr-hari-shankar-bhartia-5-mr-amit-arora-in-the-matter-of-jub-37633.html>

ⁱⁱⁱ <https://www.sebi.gov.in/enforcement/orders/jul-2016/order-in-the-matter-of-gammon-infrastructure-projects-limited-with-respect-to-shri-abhijit-rajan-pan-aepr0342j-consolidated-infrastructure-company-private-limited-pan-aacc6756c-shri-indru-b-h-32833.html>

^{iv} <https://www.sebi.gov.in/enforcement/orders/jul-2012/adjudication-order-against-shri-g-jayaraman-in-the-matter-of-satyam-computer-services-ltd-27259.html>

^v <https://www.sebi.gov.in/enforcement/orders/jun-2021/order-in-respect-of-mr-shreehas-p-tambe-in-the-matter-of-biocon-ltd-50830.html>



Significance of CSR committee; a walk through.

Introduction:

Over the period, the concept of Corporate Social Responsibility (CSR) has gained great importance in the corporate life. Initially CSR was a voluntary compliance, but eventually it became a mandatory one - as a result, both companies and regulators started taking this compliance very seriously. Companies established detailed systems to plan, execute and monitor the CSR activities. At the bottom of these systems, lies - A board committee called Corporate Social Responsibility Committee (CSR committee).

CSR committee is a board committee constituted under mandate of law and is responsible for assisting the board in effectively conducting the CSR activities. In this article, we are deliberating upon the composition of the CSR committee, its roles and responsibilities and other critical matters.

Legal provisions:

As mentioned above, CSR committee is constituted pursuant to section 135(1) of the Companies Act, 2013 (the Act). It mandates constitution of CSR committee for companies whose paid up capital exceeds 500 crores or turnover exceeds 1000 crores or net profit exceeds 5 crores in preceding financial year. The companies exceeding the said limits are required to constitute CSR committee irrespective of the status - so it may be a private or a foreign company. In fact, CSR committee is the only committee under the Act which has to be constituted by private companies or foreign companies if they exceed the prescribed limits. In case of all other committees, the private companies are not covered under applicability criteria.

The section 135 of the Act read with Rule 5 of CSR Rules prescribes - the composition of the committee and its roles and responsibilities as well. The section also provides that the CSR committee should consist of minimum three(3) directors out of which minimum one should be Independent Director.

It is important to note that not all companies are required to appoint Independent Directors to their boards. The Act provides exemptions for such companies, stating that the companies which are not obligated to appoint independent directors can constitute a committee without them. In such cases, the minimum number of directors required in the committee can be two (2). Even in the case of private companies with only two (2) directors, the committee can be formed with those two (2) directors.

Roles and responsibilities:

Since the CSR committee is constituted by law, its roles and responsibilities are also stipulated within the same legal framework. Section 135 (5) provides the functions to be performed by CSR committee which broadly includes the following:

- Recommending to the board, CSR policy and the activities to be included therein.
- Determining the amount to be spent on CSR activities. And
- Monitoring the implementation of CSR policy.

In addition to this, the CSR Committee is required to formulate and recommend to the board an annual action plan on in pursuance of the CSR Policy which includes the following:

- the list of CSR projects or programmes to be undertaken
- the manner of execution
- the modalities of utilisation of funds and implementation schedules
- monitoring and reporting mechanism and
- details of need and impact assessment, if any, for the projects undertaken by the company.

Further, section 135(3) read with rule 5 of CSR rules suggests that, the board should take in to consideration the recommendations made by CSR committee before taking any CSR related decision. In fact, if the board wishes to alter the CSR policy or annual action plan or classify any CSR project as ongoing, then it is advisable for the board to call for recommendations from the CSR committee before giving effect to any such change.

Importance of CSR committee:

Even though the powers of CSR committee are recommendatory in nature, it has an immense importance. Since the constitution of CSR committee is mandated by law - its duty is to give recommendation to the board and the he committee's recommendations are to be considered. Also, it is to be noted that in the event of the board altering a plan submitted by the CSR Committee, the alteration is required to be accompanied by reasonable justification.

Non-constitution or improper constitution of CSR committee is now an adjudicable offence and Registrar of Companies has been imposing penalties on companies in this regard. The requirement of having an independent director further underscores the importance of the CSR committee.

Moreover, with many responsibilities on the board of directors, it becomes difficult for them to invest adequate time and possess sufficient knowledge about all aspects of CSR. In such a situation, formation of committee ensures investment of adequate time and knowledge in the activity. Additionally, it becomes convenient to oversee the effective implementation and monitoring of CSR policies.

Conclusion:

Although the Act mandates compliance with CSR provisions, it has alleviated the burden on the board of directors by establishing a CSR committee. Furthermore, by requiring recommendations from the CSR committee for any CSR-related decisions, the Act ensures that the board receives expert support in fulfilling its CSR duties. This mechanism also serves as a safeguard against misuse of CSR funds by providing oversight on board decisions regarding CSR expenditure.

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<https://taxguru.in/company-law/significance-csr-committee-walk.html>

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Land Border Approval: Implications of the 22nd April 2020 Amendment on ESOP. Introduction

The Central Government in exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999) (Hereinafter referred to as "FEMA 1999") notified the Foreign Exchange Management (Non-debt instruments) Rules, 2019 [NDI Rules 2019] in supersession of the Foreign Exchange Management (Transfer or issue of security by a Person Resident Outside India) Regulations 2017 and the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2018.

In this article we are trying to understand the impact of 22nd April 2020 amendment to the NDI Rules 2019. The major condition was inserted for investments from land boarder countries entities or beneficial owners. In this context we need to check whether the equity shares allotted due to exercise of the options issued pursuant to Employee Stock Option schemes by the employees situated or citizen of such countries are also under approval route. Following is the gist of amendments to the NDI Rules 2019:-

1. Till today the NDI Rules 2019 were amended as follows :-

Date of Notification	Key amendments
5 th December, 2019	Clarificatory amendment
22 April 2020	Major amendment for Land Border approval of Government
27 April 2020	Renunciation in case of Rights conditions, Insurance Sector in Schedule I got amended, Schedule II amendment
27 July 2020	RBI to administer rules, Amendment to AIR Transport in Schedule I
8 th December, 2020	increase in the sectoral cap for foreign direct investment (FDI) in the defence sector to 74%; and issued certain clarifications on the present policy on investments from countries sharing land borders with India. (clarify one aspect that multilateral banks or funds, of which India is a member, shall not be subject to restrictions brought by PN3 irrespective of bordering nations also holding such memberships)
9 th August, 2021	An explanation is added to definition of indirect foreign investment stating that investment made by Indian entity which is owned and controlled by NRI on re-patriation basis not be considered for calculation
19 th August, 2021	Allow 74% Foreign Investment In Indian Insurance Companies
5 th October, 2021	Amendment to Schedule I, pertaining to petroleum and natural gas sector

12 th October, 2021	Permitted 100 per cent foreign direct investment (FDI) under the automatic route in the telecom services sector subject to certain conditions
12 th April 2022	<ol style="list-style-type: none"> 1. Convertible Notes: The period for which a convertible note can be issued by a start-up company has been extended from five years to ten years. 2. Equity Instruments: The definition of equity instruments was expanded to include partly paid equity shares and clarified the terms for convertible debentures and preference shares. 3. Foreign Investment: The rules around counting investments as foreign investment were clarified, especially in cases where a declaration of beneficial interest by a person resident outside India is made. 4. Indian Company Definition: The definition of an 'Indian company' was updated to include companies defined under the Companies Act, 2013, or any body corporate established under any Central or State Act and incorporated in India. 5. Share Based Employee Benefits [Rule 2(ama)] - newly inserted to cover different forms of employee benefit. 6. Amendment to Schedule I, Certain activities will not be considered as real estate business 7. Sectoral cap for LIC inserted 8. Rule 19(1) which specify "Merger or de-merger or amalgamation of Indian Companies" has been modified to include scheme of compromise
24 th January, 2024	Introduces international exchanges - enabling direct listing of equity shares by public Indian companies on the International Exchanges at IFSC.
14 th March, 2024	Explanation to definition of unit added stating unit shall include unit that has been partly paid up permitted under SEBI regulations
16 th April, 2024	prescribes new entry routes for foreign investment in activities under the space sector.

B] The first amendment :-

As discussed earlier, till now there were thirteen amendments, but the second amendment made major impact on the Foreign Direct investments in India. The said amendment effective from 22nd April 2020 was as follows :-

1. *Short title and commencement.— (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020. (2) They shall come into force on the date of their publication in the Official Gazette. 2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, in rule 6, in clause (a), for the provisos, the following provisos shall be substituted namely:-*

“Provided that an entity of a country, which shares land border with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall invest only with the Government approval:

Provided further that, a citizen of Pakistan or an entity incorporated in Pakistan shall invest only under the Government route, in sectors or activities other than defence, space, atomic energy and such other sectors or activities prohibited for foreign investment:

Provided also that in the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction or purview of the above provisos, such subsequent change in beneficial ownership shall also require government approval”.

Following table shall give clear understanding of what was changed by 22nd April 2020 amendment:-

6(a) Before amendment of 22 April 2020	6(a) After amendment of 22 April 2020
6. Investments by person resident outside India: - A person resident outside India may make investment as under:- (a) may subscribe, purchase or sell equity instruments of an Indian company in the manner and subject to the terms and conditions specified in Schedule I:	6. Investments by person resident outside India: - A person resident outside India may make investment as under:- (a) may subscribe, purchase or sell equity instruments of an Indian company in the manner and subject to the terms and conditions specified in Schedule I:
Not there earlier	“Provided that an entity of a country, which shares land border with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall invest only with the Government approval:
Provided that a person who is a citizen of Bangladesh or Pakistan or is an entity incorporated in Bangladesh or Pakistan cannot purchase equity instruments without the prior government approval:	Not there now as it is covered in above proviso.
Provided further that a citizen of Pakistan or an entity incorporated in Pakistan cannot invest in defence, space, atomic energy and sectors or activities prohibited for foreign investment even through the government route.	Provided further that, a citizen of Pakistan or an entity incorporated in Pakistan shall invest only under the Government route, in sectors or activities other than defence, space, atomic energy and such other sectors or activities prohibited for foreign investment:

Not there earlier	Provided also that in the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction or purview of the above provisos, such subsequent change in beneficial ownership shall also require government approval”
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2. Lets also understand rule relating to Issue of Employees Stock Options and sweat equity shares to persons resident outside India.-

Rule 8 of NDI Rules, 2019 contains the provisions relating to issue of ESOP.

An Indian company may issue “employees’ stock option” and/ or “sweat equity shares” to its employees or directors or employees or directors of its holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India:

Provided that. -

(a) the scheme has been drawn either in terms of regulations issued under the Securities and Exchange Board of India Act, 1992 or the Companies (Share Capital and Debentures) Rules, 2014, as the case may be;

(b) the “employee’s stock option” or “sweat equity shares” so issued under the rules or regulations are in compliance with the sectoral cap applicable to the said company;

(c) the issue of “employee’s stock option” or “sweat equity shares” in a company where investment by a person resident outside India is under the approval route shall require prior government approval and issue of “employee’s stock option” or “sweat equity shares” to a citizen of Bangladesh or Pakistan shall require prior government approval:

Provided further that an individual who is a person resident outside India exercising an option which was issued when he or she was a person resident in India shall hold the shares so acquired on exercising the option on a non- repatriation basis.

C] Impact of the First Amendment :-

3. The first amendment to NDI Rules, clearly shows intention of the Government to control investments from land border countries. Let’s analyse one by one.

1. The first change which they brought in revised version of 6(a) is as follows :-

“Provided that an entity of a country, which shares land border with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall invest only with the Government approval:”

2. The first proviso was newly inserted by the Central Government, which states that :-
- An entity of a country, which shares land border with India ; or
 - The beneficial owner of an investment into India who is situated in or is a citizen of any such country
Shall invest only with the Government approval.
3. Here, the intention seems much beyond citizenship of a person. They state two types of persons here first is “entity” and second is “beneficial owner”.

4. Lets us see if these terms are defined in the Rules. The NDI rules have defined the term “Indian entity” in Rule 2(aa) Indian Entity shall mean an Indian Company or a LLP. The term beneficial owner is not defined in the NDI Rules.
5. Rule 2(2) states that the words and expressions used but not defined in these rules shall have the same meaning respectively assigned to them in the Act, Rules and Regulations.
6. The FEMA 1999 also does not define these terms. Hence we need to check it under any other relevant act or rules or regulations.
7. As per Law Lexicon – “Entity” means A real being; existence. An organization or being that possesses separate existence for tax purposes. Examples would be corporations, partnerships, estates and trusts. The accounting entity for which accounting statements are prepared may not be the same as the entity defined by law. "Entity" includes corporation and foreign corporation, not-for-profit corporation; profit and not-for-profit unincorporated association; business trust, estate, partnership, trust, and two or more persons having a joint or common economic interest; and state, United States, and foreign government. An existence apart, such as a corporation in relation to its stockholders. Entity includes person, estate, trust, governmental unit. Something that has a real existence.
8. The term “Beneficial Owner” as per the Blacks Law means One recognized in equity as the owner of something because use and title belong to that person, even though legal title may belong to someone else; esp., one for whom property is held in trust. Also termed equitable owner. [Caser Trusts 139.] 2. A corporate shareholder who has the power to buy or sell the shares, but who is not registered on the corporation's books as the owner. [Cases: Corporations 135.] 3. Intellectual property A person or entity who is entitled to enjoy the rights in a patent, trademark, or copyright even though legal title is vested in someone else. The beneficial owner has standing to sue for infringement. A corporation is typically a beneficial owner if it has a contractual right to the assignment of the patent but the employee who owns the patent has failed to assign it. Similarly, a patent or copyright owner who has transferred title as collateral to secure a loan would be a beneficial owner entitled to sue for infringement.
9. Further they have used the words who is “situated in or is a citizen of” what is situated in or citizen of means?
 - (a) The word situated is used in Transfer of Property Act, 1982 -Situating. explanation I to Section 3 uses word “situated”. Lexicon explains the meaning of this word as “located”.
 - (b) The word citizen , as per Blacks Law is “A person who, by either birth or naturalization, is a member of a political community, owing allegiance to the community and being entitled to enjoy all its civil rights and protections; a member of the civil state, entitled to all its privileges. Cf. RESIDENT; DOMICILIARY. [Cases: Aliens, Immigration, and Citizenship 652.
10. We understand from the above that the words’ “Situating” and “Citizen” are not the same. Situating doesn’t mean citizenship and citizenship does not mean situating always. It clearly means the Government wants to control the investments into India made by any entity of such countries or beneficial owner situating in or citizen of such countries. If the Government wanted to restrict it to only citizen, they would have mentioned only citizen. But the Government also want to restrict investments from beneficial owners who may not be citizens but situating in those countries.

11. As per principles of interpretation of statute, if the precise words used are plain and unambiguous, we are bound to construe them in their ordinary sense and give them full effect. The argument of inconvenience and hardship is dangerous one and is only admissible in construction where the meaning of the statute is obscure and there are alternative methods of construction. Where the language is explicit its consequences are for Parliament, and not for the courts, to consider.ⁱ
12. Further, while interpreting the provisions of a Statute, it can neither add, nor subtract even a single word. The legal Maxim "*A verbis legis non est recedendum*" meaning, "from the words of law, there must be no departure".
13. It is a cardinal principle of interpretation that the words of a statute must be understood in their natural, ordinary or popular sense and construed according to their grammatical meaning, unless such consideration leads to some absurdity or unless there is something in the context or in the object of the statute to the contrary. The golden rule is that the words of a statute must prima facie be given their ordinary meaning. It is yet another rule of construction that when the words of the statute are clear, plain and unambiguous, then the courts are bound to give effect to that meaning, irrespective of the consequences. It is said that the words themselves best declare the intention of the law giver. The courts have adhered to the principle that efforts should be made to give meaning to each and every word used by the legislature and it is not sound principle of construction to brush aside words in a statute being in apposite surpluses, if they can have a proper application in circumstances conceivable within the contemplation of the statute.ⁱⁱ
14. As discussed above, the first proviso which was inserted vide amendment to NDI Rules 2019 dated 22nd April 2020 repeated for the purpose of easy reading as follows:-
"Provided that an entity of a country, which shares land border with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall invest only with the Government approval:"
15. It means that any entity of a country or beneficial owner situated or citizen of any such country means "country which shares land border with India" cannot invest under Foreign Direct Investment without government approval.
16. As per Rule 6 of the NDI Rules, 2019 "Investments by person resident outside India: - A person resident outside India may make investment as under..." should be as per Schedule I and conditions provided in provisos to clause (a) of Rule 6 of the NDI Rules, 2019.
17. Now, the question is whether the word Investment by a person resident outside India covers even equity shares issued on exercise of ESOP ?
18. The word investment is defined under clause (ac) of Rule 2 of the NDI Rules:-
"investment" means to subscribe, acquire, hold or transfer any security or unit issued by a person resident in India;

Explanation:-

- (i) Investment shall include to acquire, hold or transfer depository receipts issued outside India, the underlying of which is a security issued by a person resident in India;
- (ii) for the purpose of LLP, investment shall mean capital contribution or acquisition or transfer of profit shares;

19. Investment means subscribe, acquire, hold or transfer any “security” or unit issued by a person resident in India. Here we need to understand whether the word security includes equity shares issued by converting esop?
20. Definition of ‘**ESOP**’ means ‘Employees’ stock option’ as defined under the Companies Act, 2013 and issued in accordance with the Companies Act, 2013 and SEBI regulations, as applicable. [2.1.13 of Consolidated FDI Policy 2020]
21. The word Security is defined under the Foreign Exchange Management Act, 1999, Section 2 clause (za) “security” means shares, stocks, bonds and debentures, Government securities as defined in the Public Debt Act, 1944 (18 of 1944), savings certificates to which the Government Savings Certificates Act, 1959 (46 of 1959) applies, deposit receipts in respect of deposits of securities and units of the Unit Trust of India established under sub-section (1) of section 3 of the Unit Trust of India Act, 1963 (52 of 1963)* or of any mutual fund and includes certificates of title to securities, but does not include bills of exchange or promissory notes other than Government promissory notes or any other instruments which may be notified by the Reserve Bank as security for the purposes of this Act.
22. Equity instrument is defined under clause (k) of Rule 2 of the NDI Rules, 2019, “equity instruments” means equity shares, convertible debentures, preference shares and share warrants issued by an Indian company;

Explanation:-

- (i) *Equity shares issued in accordance with the provisions of the Companies Act, 2013 shall include equity shares that have been partly paid. “Convertible debentures” means fully, compulsorily and mandatorily convertible debentures. “Preference shares” means fully, compulsorily and mandatorily convertible preference shares. Share Warrants are those issued by an Indian company in accordance with the regulations by the Securities and Exchange Board of India. Equity instruments can contain an optionality clause subject to a minimum lock-in period of one year or as prescribed for the specific sector, whichever is higher, but without any option or right to exit at an assured price.*
- (ii) *Partly paid shares that have been issued to a person resident outside India shall be fully called-up within twelvemonths of such issue or as may be specified by the Reserve Bank from time to time. Twenty- five per cent of the total consideration amount (including share premium, if any) shall be received upfront.*
- (iii) *In case of share warrants, at least twenty-five per cent of the consideration shall be received upfront and the balance amount within eighteen months of the issuance of share warrants.*



D] Conclusion :-

23. Hence from the above discussion, it is clear that the word investment means investment in any security. The word Security is defined under FEMA Act 1999 which covers shares, stock bonds. Hence when the equity shares will be allotted pursuant to exercise of ESOP by the person resident outside India it has to comply with Rule 6 of NDI rules, 2019 as well.
24. In nutshell even if the employee of the Indian Entity is situated in country sharing land border with India, Equity instrument by converting ESOP cannot be allotted without prior permission of the Government.
25. All such cases where the beneficial owner is situated in the Country sharing land border needs careful consideration before making such investments.

This article is published in Taxmann. The link to the same is as follows: -

<https://www.taxmann.com/research/fema-banking-insurance/top-story/10501000000024045/land-border-approval-the-implications-of-the-22nd-april-2020-amendment-on-esop-experts-opinion>

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ⁱ Dr. Ajay Pradhan V State of Madhya Pradesh AIR 1988 SC 1975

ⁱⁱ Gurudevdatto VKSS Maryadit V State of Maharashtra AIR 2001 SC 1987 (2001) 4 SCC 534



A corporate compliance firm on RBI circular on investment in overseas funds by resident individuals and listed Indian Companies.

Overseas Portfolio Investment is governed by FEM (Overseas Investment) Rules, 2022 (OI Rules) read with FEM (Overseas Investment) Directions, 2022. These provides the manner in which Overseas direct investment or overseas portfolio investment can be made.

Overseas Investment rules do not permit individuals to make overseas direct investment (ODI) into financial services. The OI Rules define ODI as investment by acquisition of unlisted equity capital of a foreign entity, or investment in 10% of paid-up capital or control in listed foreign entity.

However, listed entities and resident individuals can make overseas portfolio investment (OPI) subject to certain conditions:

- Investment can be made in 'units' of overseas funds; and
- Fund to be regulated by the regulator for the financial sector in the host jurisdiction

These two conditions created confusion. Firstly, whether the investment in offshore funds which are not in the form of trust issuing units and are formed as body corporate issuing shares or otherwise will be treated as overseas portfolio investment as the language is restrictive stating "investment in units of any investment funds" and secondly if the manager of fund is regulated by host country and not the fund directly, whether OPI investment should be permitted or not?

Considering the diverse regulatory framework governing investment funds across various jurisdiction and to provide clarity, the Reserve Bank of India issued Circular introducing two key amendments namely:

- The restriction limiting Indian individuals and listed Indian companies investment solely in units issued by overseas funds was removed by amending FEM (Overseas Investment) Directions, 2022 wherein investment in other instruments regardless it form allowed.
- Clarity was provided w.r.t investment (including sponsor contribution) in units of any investment fund overseas, duly regulated by the regulator for the financial sector in the host jurisdiction, shall be considered as Overseas Portfolio Investment where the fund is not directly regulated but the manager of the fund is so regulated.

RBI notification being clarificatory in nature, it needs to be checked if it would provide relief to investments already made or would be applicable to investments to be made going forward. Ambiguity prevails amid clarity provided by RBI.

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<https://taxguru.in/rbi/rbi-circular-investment-overseas-funds-resident-individuals-listed-indian-companies.html>

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NEWS UPDATES FOR THE MONTH OF JUNE 2024

Sr. No.	News Updates/Amendments	Link & Brief Summary
NEWS		
1	Rules for direct listing in GIFT to be out in a month	<p>https://cfo.economictimes.indiatimes.com/l.php?email=--email--&clid=667203x</p> <p>International Financial Services Centres Authority chairman K Rajaraman has said that regulation for direct listing of Indian companies in the GIFT IFSC will be out in a month.</p>
2	First NFRA annual report on eight audit firms by November	<p>https://cfo.economictimes.indiatimes.com/news/corporate-finance/first-nfra-annual-report-on-eight-audit-firms-by-november/111099439?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etcfo_news_2024-06-19&dt=2024-06-19&em=aGFzdGl2b3JhQG1tamMuaW4=</p> <p>The NFRA is all set to wrap up its first annual inspection of eight audit firms including the big five and reveal its findings by October and November this year.</p>
3	Climate change: Cos need some big changes on compliances	<p>https://cfo.economictimes.indiatimes.com/news/governance-risk-compliance/climate-change-cos-need-some-big-changes-on-compliances/110754343?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etcfo_news_2024-06-09&dt=2024-06-09&em=aGFzdGl2b3JhQG1tamMuaW4=</p> <p>Most companies are ensuring their basic compliance requirement. They are careful about not getting entangled in any regulatory issues. However, when it comes to compliance on the ground it varies across companies.</p>
4	Commerce Min may seek more funds for startups in forthcoming Budget	<p>https://cfo.economictimes.indiatimes.com/news/commerce-min-may-seek-more-funds-for-startups-in-forthcoming-budget/110860424?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etcfo_news_2024-06-10&dt=2024-06-10&em=aGFzdGl2b3JhQG1tamMuaW4=</p> <p>Commerce Ministry considers requesting extra funds for startups in the budget 2024-2025 to support startups in various growth stages with a new scheme similar to the seed fund scheme that provided funding through incubators, in line with the Startup India initiative.</p>

5	Sebi proposes stricter norms for inclusion of derivative trading on individual stocks	https://legal.economictimes.indiatimes.com/news/regulators/sebi-proposes-stricter-norms-for-inclusion-of-derivative-trading-on-individual-stocks/110883673?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etlegal_news_2024-06-11&dt=2024-06-11&em=aGFzdGl2b3JhQG1tamMuaW4= Capital markets regulator Sebi has proposed stricter norms for the entry of individual stocks in the derivatives segment.
6	SEBI launches investor certification exam to foster financial literacy	https://legal.economictimes.indiatimes.com/news/regulators/sebi-launches-investor-certification-exam-to-foster-financial-literacy/110919041?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etlegal_news_2024-06-12&dt=2024-06-12&em=aGFzdGl2b3JhQG1tamMuaW4= SEBI has launched a free, voluntary online investor certification examination, which will help individuals gain comprehensive knowledge about stock market investing.
7	While stepping down, very few independent directors speak up	https://hr.economictimes.indiatimes.com/news/industry/while-stepping-down-very-few-independent-directors-speak-up/110966016?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=ethr_news_2024-06-15&dt=2024-06-15&em=aGFzdGl2b3JhQG1tamMuaW4= Independent directors have begun openly voicing dissent on corporate boards, emboldened by market watchdog SEBI's directives urging them to make more disclosures and uphold corporate governance standards.
8	SEBI junks rule to freeze demat a/cs , MF folio rule for non-submission of nomination	https://legal.economictimes.indiatimes.com/news/regulators/sebi-junks-rule-to-freeze-demat-a/cs-mf-folio-rule-for-non-submission-of-nomination/110883692?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etlegal_news_2024-06-16&dt=2024-06-16&em=aGFzdGl2b3JhQG1tamMuaW4= Capital market regulator has eased rules for existing investors with abolishing the norm of freezing demat accounts and mutual funds folios in case of failure to provide a 'choice of nomination'.
9	IRDAI introduces "Customer Information Sheet" to simplify policy details for buy ..	https://legal.economictimes.indiatimes.com/news/regulators/irdai-introduces-customer-information-sheet-to-simplify-policy-details-for-buyers/110947077?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etlegal_news_2024-06-17&dt=2024-06-17&em=aGFzdGl2b3JhQG1tamMuaW4=

		<p>m_source=Mailer&utm_medium=newsletter&utm_campaign=etlegal_news_2024-06-16&dt=2024-06-16&em=aGFzdGl2b3JhQG1tamMuaW4=</p> <p>The new set of reforms has introduced customer information sheet to provide clear and concise policy details including scope of coverage , exclusions, warranties and claim settlement process.</p>
10	Sebi tweaks procedure for OFS of shares to employees via exchange mechanism	<p>https://legal.economictimes.indiatimes.com/news/regulators/sebi-tweaks-procedure-for-ofs-of-shares-to-employees-via-exchange-mechanism/111006393?action=profile_completion&utm_source=Mailer&utm_medium=newsletter&utm_campaign=etlegal_news_2024-06-15&dt=2024-06-15&em=aGFzdGl2b3JhQG1tamMuaW4=</p> <p>Employees should now bid on T+1 (trading plus one) day but at the cut off price of T day</p>

AMENDMENTS / CONSULTATION PAPERS		
1	SEBI PIT Amendment	<p>https://www.sebi.gov.in/legal/regulations/jun-2024/securities-and-exchange-board-of-india-prohibition-of-insider-trading-second-amendment-regulations-2024_84419.html</p> <p>SEBI (Prohibition of Insider Trading) Second Amendment Regulation 2024</p>
2	Consultation Paper	<p>https://www.sebi.gov.in/reports-and-statistics/reports/jun-2024/consultation-paper-on-recommendations-of-the-expert-committee-for-facilitating-ease-of-doing-business-and-harmonization-of-the-provisions-of-icdr-and-lodr-regulations_84421.html</p> <p>Consultation Paper on recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of ICDR and LODR Regulations.</p> <p>Comments/Suggestions to be submitted by July 17,2024</p>

