

Newsletter
Volume 8, Mar 2023



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REVIEW OF RECENT AMENDMENTS BY SEBI FOR HIGH VALUE DEBT LISTED ENTITIES BY GIVING RIGHT TO DEBENTURE HOLDERS



Editor's note

Dear Readers,

We are happy to share with you the Newsletter for the month of March, 2023.

SEBI has come up with a regulatory framework for ESG rating provided in the securities market. Further a balance framework for ESG disclosure ratings and investment has been introduced.

Ahmedabad NCLT has reiterated on the commercial wisdom of the committee of creditors on the matter related to the requirement performance of securities.

NCLAT New Delhi has reaffirmed that the IBC provisions cannot be turned into debt recovery proceedings. The Supreme court has confirmed that there is No Bar under IBC against the continuation of Section 138 proceedings.

There are other important judgements passed by NCLT and various High Courts and Supreme Court which are relevant.

There are important amendments introduced by various regulators including RBI which the readers will find relevant.

I hope you will find this issue informative.

Best wishes,

Rajesh Narain Gupta

Managing Partner,
SNG & Partners

A. KEY AMENDMENTS INTRODUCED BY SEBI :

1. SEBI Board Meeting dated 29th March, 2023

- i. The following key amendments have been approved by the Board to the Listing Obligations and Disclosure Requirements Regulations, 2015:
 - a. Disclosure of material events
 - b. Enhanced disclosure to strengthen corporate governance
 - c. Streamlining timeline for submission
 - d. Timeline to fill up the vacancy of directors and other officials
- ii. The following amendments have been approved to the Issue of Capital and Disclosure Requirements, Regulations, 2018:
 - a. Underwriting disclosures
 - b. Pre-condition for announcing bonus issue as issuance of bonus only in demat mode
- iii. Framework for the “Corporate Debt Market Development Fund”
- iv. Review of the regulatory framework for sponsors of mutual funds to give greater flexibility to the industry

ESG

- v. Balanced framework for ESG disclosures, ratings, and investing
- vi. Establishing a regulatory framework for ESG rating providers in securities markets- A new chapter has been introduced

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B INSOLVENCY AND BANKRUPTCY CODE (IBC)

1. NCLT Ahmedabad opines: Quantum of performance security lies in the domain of the Committee of Creditors

The NCLT, Ahmedabad Bench opined that the quantum of performance security lies in the domain of the Committee of Creditors. Hence, the NCLT cannot sit in judgment over the sufficiency or otherwise.

It was held that the requirement of performance security, its sufficiency, and receipt before approval of the resolution plan are subject to the commercial wisdom of the Committee of Creditors.

Further, it was ruled that financial creditors have precedence over operational creditors. If the financial creditors are not paid in full, a higher amount cannot be claimed by the operational creditors.

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2. NCLAT, New Delhi rules: Section 9 proceedings cannot be commenced for disputed operational debt

The NCLAT, New Delhi Bench enunciated that Section 9 proceedings under the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as “IBC”) cannot be commenced for disputed operational debt. Further, it was held that the IBC provisions cannot be turned into debt recovery proceedings. The Corporate Insolvency Resolution Process (“CIRP”) can only be initiated when there are no real disputes existing between the parties.

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3. Serving of copy of the application of Insolvency and Bankruptcy Board of India, as mandated under Rules 4, 6, and 7 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016.

The Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 mandate an applicant to provide a copy of the application for initiating the Corporate Insolvency Resolution Process to the Board before filing with the Adjudicating Authority.

To simplify the obligation, the Board has made a facility on the website <https://ibbi.gov.in/ed/intimation-application/apply-iaa> for serving a copy online to the Board.

Recently it was decided that the applications will be forwarded to the Information Utility (IU) and IU would then inform other creditors, issue notice, and process the ‘information of default’ for issuing ROD as per the IU.

The format has been revised and is attached as Annexure A, in the circular. The Applicant would receive an acknowledgment slip after submitting the application online.

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**4. Supreme Court expounds:
No Bar under IBC against the
continuation of Section 138 NIA
proceedings**

The Hon'ble Supreme Court expounded that the scope of nature of proceedings under the two Acts i.e., the Negotiable Instruments Act, 1881 (hereinafter referred to as "NIA") and the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as "IBC") is quite different and the two Acts would not intercede with each other.

As per Section 14 of the IBC, the nature of proceedings that have to be kept in abeyance does not include criminal proceedings, which is the nature of proceedings under Section 138 of the NIA. Section 138 of the NIA proceedings arise from a default in financial debt, the proceedings under Section 138 should be taken as akin to criminal proceedings.

It was unequivocally ruled that the IBC does not bar the continuation of criminal prosecution initiated against the directors and officials.

It was held that after the passing of the resolution plan under Section 31 of the IBC by the adjudicating authority and in the light of the provisions of Section 32A of the IBC, the criminal proceedings under Section 138 of the NIA will stand terminated only in relation to the corporate debtor if the same is taken over by new management. Section 138 proceedings in relation to the signatories/directors who are liable/covered by the two provisions to Section 32A^① will continue in accordance with the law.

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5. NCLT, New Delhi expounds: The resolution plan approved by CoC comprising of related parties is void ab initio

The NCLT, New Delhi opined that one of the criteria for related parties is set out in Section 5(24) of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as “IBC”).

This includes controlling the composition which includes appointment and removal of directors. To ascertain whether the Committee of Creditors (CoC) Members had any control over the composition or not, the scheme of the Companies Act, 2013 was examined regarding the appointment and removal of directors.

In the present case, the Tribunal observed that the members of the CoC were capable of controlling the composition of the Board and therefore, were related parties. The constitution of Coc was ruled to be erroneous. It was expounded that the Resolution plan approved by a CoC consisting of related parties is void ab initio.

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6. NCLAT, New Delhi rules: Application under Sec 65 is maintainable after the application is filed under any of Sections 7, 9, or 10

The NCLAT, New Delhi opined that the application of Section 65 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as “IBC”) is maintainable after the application is filed under any of the Sections 7, 9, or 10 of the IBC. It is not necessary for the application to be admitted and for the Corporate Insolvency Resolution Process (CIRP) to commence to ensure the maintainability of the Application under Section 65.

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7. Supreme Court expounds: Once approved, the resolution plan cannot be modified/alterd

The Supreme Court opined that the modifications in Resolution Plan after approval are not open for judicial review unless they are violative of the IBC. Further, once the resolution plan is approved, it cannot be modified/alterd.

In the present case, the Resolution Plan only talked about the perpetual exclusive right to use the trademarks by the Corporate Debtor. The additional declaration by the NCLT that the trademarks belonged to the Corporate Debtor could not be reconciled with the Resolution Plan approved by the Committee of Creditors (CoC) and hence, was set aside.

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8. Gujarat High Court rules: Sec 96 Interim Moratorium not extended to proceedings declaring the Borrower as a Wilful Defaulter

The Gujarat High Court bench comprising Justice A.S Supehia while dealing with the issue of Wilful Defaulter Identification Committee (hereinafter referred to as 'WDIC') ruled that the intention of the moratorium, granted under Section 96 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as 'IBC') cannot be extended to the proceedings with respect to a borrower, who has been declared as a Wilful Defaulter Identification Committee. The interim moratorium under Section 96 of the IBC can be referred only to the debt, as mentioned therein. Further, the proceedings of Wilful Defaulter Identification Committee cannot be equated with the recovery of debt.

Further, the Court opined that an order cannot be set aside solely on the ground that the order of the Wilful Defaulter Identification Committee is a cut-and-paste order.

In the present case, the entire exercise of both the committees, including calling upon the forensic report could not be ignored and the impugned orders could not be set aside merely on the ground that the Petitioner was not supplied the Forensic Audit Report (FAR) in wake of the fact that he was already made aware of the relevant irregularities on illegalities committed by him, which was unearthed by the FAR.

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C. Ministry of Micro, Small, & Medium Enterprises (MSMEs)

1. MSME Notification No. SO 1296 (E) dated March 20, 2023

For facilitating the promotion and development of micro, small, and medium enterprises, the Central Government has specified that the certificate issued on the UDYAM Assist Platform to informal Micro Enterprises shall be treated at par with the UDYAM Registration certificate for availing the Priority Sector Lending Benefits.

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D. PREVENTION OF MONEY LAUNDERING ACT (PMLA)

1. The Prevention of Money Laundering (Maintenance of Records) Rules, 2005.- Amendment

The Prevention of Money Laundering (Maintenance of Records) Rules, 2005 have been amended.

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E. RESERVE BANK OF INDIA (RBI)

1. Special Clearing Operations on March 31, 2023

RBI has made normal clearing timings as applicable to any working Friday to be followed on 31st March, 2023. Further, special clearing shall be conducted exclusively for government cheques across the three CTS grids on 31st March, 2023.

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2. Master Circular on Credit Facilities to Minority Communities

RBI has consolidated all the guidelines/ instructions/circulars issued to date regarding providing credit facilities to minority communities.

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3. Master Circular- Credit facilities to Scheduled Castes and Scheduled Tribes

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RBI has consolidated all the guidelines/ instructions/circulars issued to date regarding providing credit facilities to Scheduled Castes and Scheduled Tribes.

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4. Master Circular- Guarantees, Co-Acceptances, and Letter of Credits- UCBs

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RBI has consolidated all the guidelines/ instructions/circulars issued to date regarding Guarantees, Co-Acceptances, and Letters of Credit.

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5. Master Circular on SHG- Bank Linkage Programme

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RBI has consolidated all the guidelines/ instructions/circulars issued to date regarding SHG - Bank Linkage Programme.

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6. Master Circular- Prudential norms on Income Recognition, Asset Classification, and provisions pertaining to Advances.

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RBI has consolidated all the guidelines/ instructions/circulars issued till date regarding Prudential norms on Income Recognition, Asset Classification, and provisions pertaining to Advances.

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7. Reserve Bank of India (Classification, Valuation, and Operation of Investment Portfolio of Primary (Urban) Co-Operative Banks) Directions, 2023

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RBI has consolidated all the guidelines/ instructions/circulars issued to date regarding Prudential norms for Classification, Valuation, and Operation of Investment Portfolio of Primary (Urban) Co-Operative Banks.

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8. Master Circular on Conduct of Government Business by Agency Banks- Payment of Agency Commission

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RBI has consolidated all the guidelines/ instructions/circulars issued to date regarding the Conduct of Government Business by Agency Banks - Payment of Agency Commission.

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F. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. AMC Repo Clearing Limited

In the interest of trade, the securities market and the public, SEBI has granted renewal of recognition to AMC Repo Clearing Limited for one year, starting from 17th January, 2023, till 16th January, 2024, subject to the Clearing Corporation complying with the conditions envisaged under rules and provided that the Corporation should not engage in activity other than clearing and settling of transactions in the repo and reverse repo in the debt securities.

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2. Operational Guidance- Amendment to SEBI (Buy-Back of Securities) Regulations, 2018

SEBI has notified the Securities and Exchange Board of India (Buy-Back of Securities) (Amendment) Regulations, 2023.

Regulation 16 (vi) - Buyback through the stock exchanges is subject to restrictions on the placement of bids, prices, and volumes as prescribed by SEBI. The following has been prescribed by SEBI:

- a. The company shall not purchase more than 25% of the average daily trading volume (in value) of its shares or other specified securities in the ten trading days preceding the day in which such purchases are made.
- b. The company shall not place bids in the pre-open market, in the first thirty minutes, and the last thirty minutes of the regular trading session.
- c. The company's purchase order price should be within the range of +/- 1% from the last traded price.

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3. Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2023

The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 have been amended. Some of the key amendments are:

- a. Insertion of Regulation 2①(k)
It defines key management personnel.
- b. Insertion of Regulation 2①(ka)
It defines a non-independent director.
- c. Regulation 24
"Shareholder directors" was substituted with "non-independent directors."

- d. Insertion of Regulation 24A
It is titled “Nominees of the Board on the governing board of a Depository.”
- e. Substitution of Regulation 29
“Segregation of regulatory departments” is substituted with “Segregation of functions”.
- f. Insertion of Regulation 30A
It is titled “Grievance Redressal Panel.”
- g. Insertion of Regulation 81A
It is titled “Appointment of Chief Risk Officer”
- h. Insertion of Regulation 82A
It pertains to Information and Data sharing policy.
- i. Insertion of Chapter IX-A
It is titled as “Enforcement” and it includes the Power to issue directions and levy penalty by the Board.
- j. Deletion of Regulations 94 and 95.

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4. Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023

Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 have been amended. Some of the key amendments are:

- a. Substitution of Regulation 2①(j)
The definition of “key management personnel” has been added.
- b. Insertion of Regulation 2①(ka)
It defines “non-independent director”.
- c. Insertion of Regulation 10A
It is titled “Code of Conduct for recognized stock exchanges and recognized clearing corporations.”
- d. Insertion of Regulation 23A
It talks about nominees of the Board on the governing board of a recognized stock exchange and recognized clearing corporation.
- e. Insertion of Regulation 29A
It pertains to the grievance redressal mechanism.
- f. Insertion of Regulation 30A
It is titled “Appointment of the Chief Risk Officer.”

g. Substitution of Regulation 49

The heading has been substituted with “Power to issue directions and levy penalty.”

h. Insertion of Regulation 50A

It is concerned with the power to relax the strict enforcement of the regulations.

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5. Master Circular for Foreign Venture Capital Investors (“FVCIs”)

A Master Circular has been issued by SEBI to provide access to all the applicable requirements/circulars in one place. In this regard, the following circulars are rescinded:

- a. SEBI Circular No.IMD/DOF-1/FVCI/CIR.NO.1/2009- 3rd July, 2009
- b. SEBI Circular No.SEBI/IMD/DOF-1/FVCI/CIR-1/2010- 12th January, 2010
- c. SEBI Circular No.SEBI/HO/IMD/DF1/CIR/P/2017/75- 6th July, 2017

The Master Circular provides for:

- a. Firm commitment requirement for registration as FVCI
- b. Quarterly Reporting by FVCIs
- c. Online Filing System for FVCIs

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6. Framework for Adoption of Cloud Services by SEBI Regulated Entities (REs)

SEBI has introduced a circular to provide certain basic standards and parameters of security and for the legal and regulatory compliances by the REs. The framework is proposed in addition to the existing guidelines by SEBI.

The aim is to highlight the major risks and mandatory control measures that have to be put in place by the REs before adopting cloud computing.

The following REs are covered under the proposed framework:

- a. Stock Exchanges
- b. Clearing Corporations
- c. Depositories
- d. Stockbrokers through exchanges
- e. Depository Participants through Depositories

- f. Asset Management Companies/Mutual Funds
- g. Qualified Registrars to an Issue and Share Transfer Agents
- h. KYC Registration Agencies

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7. Operational Guidance- Amendment to SEBI (Buy-back of Securities) Regulations, 2018

- a. The Securities and Exchange Board of India (Buy-Back of Securities) (Amendment) Regulations, 2023 will come into force on the 30th day of the date of this notification.
- b. Following are the restrictions set out for companies undertaking buy-back through the stock exchange route (Regulation 16(vi)):
 - i. The company shall not purchase more than 25% of the average daily volume of its shares in the 10 trading days preceding the day in which such purchases are made.
 - ii. The company shall not place bids in the pre-open market, first 30 minutes, and the last 30 minutes of the regular trading session.
 - iii. The company's purchase order price should be within the range of +/- 1% from the last traded price.

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8. Master Circular for Portfolio Managers

A Master Circular has been issued for Portfolio Managers and it covers:

- a. Application procedure to register as Portfolio Managers.
- b. Guideline for advertisement by Portfolio Managers.
- c. Classification of minimum investment amount by clients and schemes.
- d. Investment by Portfolio Managers - Transactions in Corporate Bonds, Investment in Derivatives, Participation of Portfolio Managers in the Commodity Derivatives Market in India, Minimum Credit Rating of Securities for investment by Portfolio Managers

- e. Disclosure Requirements
- f. Reporting Requirements
- g. Fees and Charge
- h. Grievance Redressal

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9. E-wallet investments in Mutual Funds

SEBI had allowed the use of e-wallet investment in Mutual Funds within the umbrella limit of Rs. 50,000 for investments by an investor through both wallet and/or cash.

In accordance with the above, it has been directed to ensure that the e-wallets are fully in compliance with the KYC norms.

The circular will come into force on 1st May, 2023.

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10. Streamlining the onboarding process of FPIs

To ease the onboarding process of Foreign Portfolio Investors (FPIs) and reduce the time for registration, modifications have been made to the Master Circular for Foreign Portfolio Investors, Designated Depository Participants, and Eligible Foreign Investors dated 19th December, 2022.

The following are the modifications:

- a. Grant of FPI registration on the basis of scanned copies of application forms and supporting documents.
- b. Use of digital signatures by FPIs.
- c. Certification of copies of original documents by authorized bank officials using the SWIFT mechanism.
- d. Verification of the PAN through the CAF module is available on the website of the depositories.
- e. Submission of unique investor group ID by FPI applicants in lieu of complete details of group constituents.

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11. Nomination for Eligible Trading and Demat Accounts- Extension of timelines for existing account holders

SEBI has decided that the provisions mentioned in para 7 of the SEBI circular dated July 23, 2021, read with Para 3(a) of the SEBI circular dated 24th February, 2022, regarding the freezing of accounts shall come into force on 30th September, 2023, and not 31st March, 2023.

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12. Extension of compliance period- Fundraising by large corporate through the issuance of debt securities to the extent of 25% of their incremental borrowings in a financial year

SEBI has decided that the contiguous block of two years over which large corporates need to meet the mandatory requirements of raising at least 25% of their incremental borrowings in a financial year through the issuance of debt securities will now be extended to three years from FY 2021-2022 onwards.

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G. REVIEW OF RECENT AMENDMENTS BY SEBI FOR HIGH VALUE DEBT LISTED ENTITIES BY GIVING RIGHT TO DEBENTURE HOLDERS

By- Kawaljeet Kaur

Securities and Exchange Board of India (“SEBI”) has recently come out with a consultation paper dated February 8, 2023 (“Consultation Paper”) to suggest a probable solution to the difficulties with regard to compliance of corporate governance requirements, faced by all such entities, which have listed their non-convertible debt securities and have an outstanding value of listed non-convertible debt securities of INR 500 Crores and above (“High Value Listed Debt Entities” or “HVLDE”).

The debt capital market in India is accessed by many corporate houses to attract funds, where the investor pool comprises of alternate investment funds, non-banking financial institutions, scheduled commercial banks, high net worth individuals and customers of wealth management platforms. With the ever growing need of funds by the Indian corporate houses towards the further growth of Indian GDP, it has become incumbent that the regulatory compliance and disclosures be made applicable to entities who raise funds through listed debt instruments, notwithstanding their equity shares are not listed on stock exchanges in India.

Keeping in view the need to bring in more disclosures and to ensure adequate regulatory compliance, SEBI vide SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021 which came into effect on September 7, 2021 extended the corporate governance requirements to HVLDEs. It was mandated that an entity that has listed its non-convertible debt securities triggers the specified threshold of INR 500 Crores during the course of the year, it shall ensure compliance with these provisions within six months from the date of such trigger and once the provisions are applicable, it shall be applicable even if outstanding value falls below the threshold limits. The said amendment is applicable on a ‘comply or explain’ basis until March 31, 2023 and on a mandatory basis thereafter.

In order to bring the disclosure obligations for HVLDEs at par with the equity listed companies, a higher compliance burden has been placed on the debt issuer companies. It may be noted that the equity listed companies are listed by way of public offer, whereas mostly the debt listed companies are listed by way of private placement issues. Such entities could even be private or closely held public companies. Therefore, this move may strengthen Indian debt capital market and bring in more transparency for investors but, in short term one may argue that it may increase the entry barriers to the capital markets by debt issuer companies due to the additional compliances.

Some of the main regulatory compliances made applicable to HVLDEs are for the appointment of independent directors, constitution of committees, approvals for remuneration, filing of corporate governance report, formulation of policies and compliance of related party transactions.

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 which came into effect on April 1, 2022 (“Sixth Amendment”), SEBI proposed a stricter approval regime for related party transactions (“RPTs”) for all the listed companies to control the siphoning off funds by use of innovative structures and by diluting policies on RPTs by procuring approvals to continuously lend to group

companies, thereby evading the regulatory framework of RPTs.

With the introduction of Sixth Amendment it became mandatory for HVLDEs that all the transactions during a financial year, if proposed to be entered individually or taken together with previous transactions exceed INR 1000 crore or 10% of the annual consolidated turnover as per the last audited financial statements, whichever is lower and all the subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders of such HVLDE. Further, no related party to HVLDE is permitted to vote such proposed resolutions.

Many entities have represented that their shareholding is wholly/substantially held by one or few shareholders, who are related parties and when the HVLDEs enter into RPTs, they are required to obtain the approval of majority of the shareholders who are not related parties. The shareholders, who are not related parties, either hold a negligible portion of the equity or none at all. Due to this closely held HVLDEs are unable to transact the RPTs and it has become 'impossible to comply' with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015.

Pursuant to the data received by the stock exchanges on behalf of SEBI from 138 HVLDEs (out of which 104 no. of HVLDEs had more than 90% of the shareholders which are related) to understand the depth of the problem relating to impossibility to comply in case of passing of resolutions for RPTs. SEBI acknowledged the issues and proposed a new regime through the Consultation Paper and have sought comments from public latest by February 22, 2023 before making the said provisions applicable on a mandatory basis for all HVLDEs. The proposed regime will be applicable on the HVLDEs having only listed non-convertible debt securities and have 90% or more of the shareholders in number are related parties.

As per the proposed regime, HVLDEs shall send a copy of agenda item of the general meeting wherein RPT has been proposed to the debenture holders and the debenture holders shall submit their approval/objection within 7 days of the dispatch of the agenda item. Post the receipt of responses, the role of practising company secretary starts, as they will scrutinise the responses of the debenture holders and shall issue a certificate within 3 days from the last day by which responses from the debenture holders are to be received. Under the proposed regime a right has been provided to the Debenture Holders to give their approval/disapproval for the proposed RPTs.

In the present scenario, usually the debenture holders intervene in the affairs of the issuer company only in the event of default or non-compliance in terms of the debenture trust deed or any other transaction documents entered between the parties. Now SEBI is proposing to provide a right to object to the debenture holders in case of RPTs to resolve the deadlock while passing of the resolutions which are not even related to the debenture holders and may not be in their interest.

In the event, objections are received from the debenture holders holding 75% or more in value, the proposed matter on RPT is withdrawn and in the event, no objection has been received from the debenture holders, the proposal for the related party transaction can

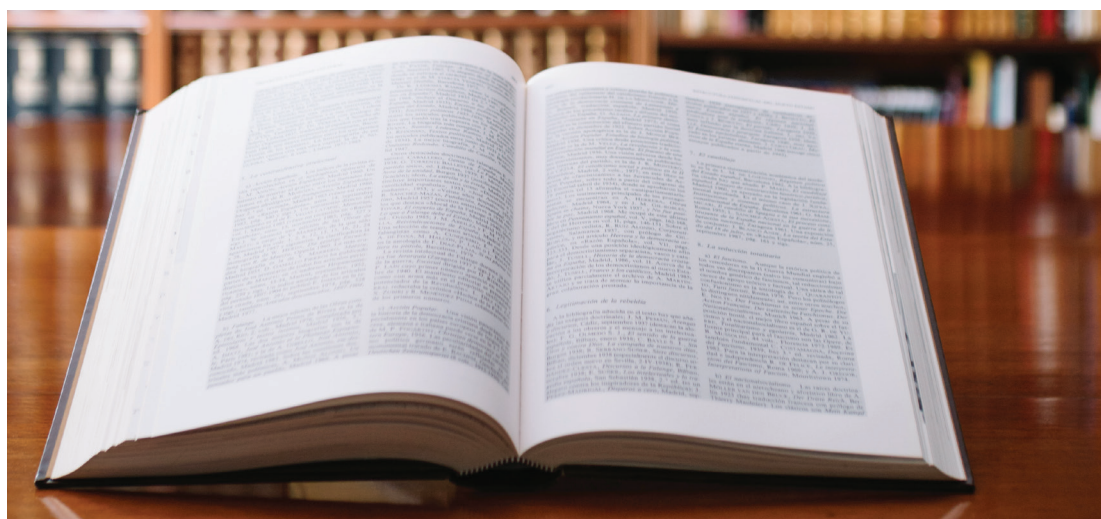
be placed before the shareholders for their approval. As per the proposed regime, post the approval of the Debenture Holders, the Shareholders, including the shareholders who are related parties can vote as per the third proviso of Section 188⁽ⁱ⁾ of the Companies Act, 2013.

SEBI vide the Consultation Paper also highlighted the issues related to the continuity of applicability of corporate governance norms for HVLDEs. It has been proposed by SEBI that once the regulations become applicable to HVLDEs, they shall continue to remain applicable till such time the outstanding value of listed non-convertible debt securities of such entity reduces and remains below the specified threshold for a period of three consecutive financial years. The amount of outstanding value can be reviewed on the last day of every financial year.

SEBI has acknowledged the problem faced by closely held HVLDEs and by proposing the aforesaid solutions, they have tried to solve the deadlock situations by providing a right to the debenture holders to approve or disapprove the RPTs and moreover making the corporate governance norms more rigid. However, due to the lack of interest by the debenture holders in the RPTs, the resolutions may not get approved by the debenture holders and subsequently the same has to be withdrawn by HVLDEs. Also the proposed regime will only be applicable for HVLDEs having only listed non-convertible debt securities and have 90% or more of the shareholders in number are related parties however, the issues faced by the equity listed companies have not been addressed.

In conclusion, this step by SEBI is a positive step wherein the continuity of applicability of corporate governance norms for HVLDEs and solution for the HVLDEs has been provided by proposing a new regime for RPTs in which a potential role has been given to the debenture holders under the corporate governance norms. However, the impact of this proposed amendment is yet to be ascertained once the same is notified.

Kawaljeet Kaur, Senior Associate, SNG & Partners



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