

Ministry Of Corporate Affairs 1

Clarification Circular on Streamlining the Process of Public Issue of Equity Shares and Convertibles 2

Basel III Capital Regulations - Clarification 4

Master Direction – Import of Goods and Services 5

Master Direction - Acquisition and Transfer of Immovable Property under FEMA, 1999 5

Master Direction - Export of Goods and Services 6

Master Direction - Establishment of Liaison/Branch/ Project Offices in India by Foreign Entities 6

Master Direction - Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad 6

Master Direction - External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency 7

Master Circular- Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by FIs- Amendment 7

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## MINISTRY OF CORPORATE AFFAIRS

The Central Government vide its notification no. [F. No. 5/27/2013-IEPF \(Part\) dated January 13, 2016](#), in the exercise of power conferred by sub-section (3) of Section 1 of the Companies Act, 2013 (18 of 2013), has appointed the 13th day of January, 2016 as the date on which the provisions of sub-section (5), sub-section (6) [except with respect to the manner of administration of the Investor Education and Protection Fund] and sub-section (7) of section 125 of the companies Act, 2013 will come into force.

The provisions of sub-section (5), sub-section (6) and sub-section (7) of section 125 of Companies Act, 2013 are as follows:

*S.125 (5) The Central Government shall constitute, by notification, an authority for administration of the Fund consisting of a chairperson and such other members, not exceeding seven and a chief executive officer, as the Central Government may appoint.*

*(6) The manner of administration of the Fund, appointment of chairperson, members and chief executive officer, holding of meetings of the authority shall be in accordance with such rules as may be prescribed.*

*(7) The Central Government may provide to the authority such offices, officers, employees and other resources in accordance with such rules as may be prescribed.*

## SECURITIES AND EXCHANGE BOARD OF INDIA



### *Clarification Circular on Streamlining the Process of Public Issue of Equity Shares and Convertibles*

Securities and Exchange Board of India vide its circular no. [SEBI/HO/CFD/DIL/CIR/P/2016/26 dated January 21, 2016](#) issued Clarification Circular on Streamlining the Process of Public Issue of Equity Shares and Convertibles.

This Circular has been issued in exercise of the powers conferred under Section 11 and Section 11A of the Securities and Exchange Board of India Act, 1992. This circular will be applicable with immediate effect. The following issues are clarified:

SEBI vide Circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015, issued operational details to, inter-alia, reduce the time taken for listing after the closure of the issue to 6 working days and enhancing the points of submission of applications by the investors.

With an endeavour to make the public issue process more efficient and robust, in discussion with market participants, following issues are hereby clarified:

- 2.1 Stock exchange(s) may validate the electronic bid details with depository's records for DP ID, Client ID and PAN, at periodic intervals throughout the bidding day during the bidding period and bring the inconsistencies to the notice of intermediaries concerned, for rectification and re-submission within the time specified by stock exchange.
- 2.2 Syndicate members, registered brokers of stock exchanges, depository participants (DPs) and registrars to an issue and share transfer agents (RTAs) registered with SEBI, may also forward the physical application forms received by them on day-to-day basis during the bidding period to designated branches of the respective self certified syndicate banks (SCSBs) for blocking of funds.



Such applications should be with value not more than ` 2 lakh and shall be forwarded along with the schedule specified in SEBI Circular dated November 10, 2015.

- 2.3 Stock exchanges may share the electronic bid file for applications with value not more than 2 lakh with RTA to the issue on daily basis who in turn may share the same with each SCSB. SCSBs may carry out the blocking of funds on a daily basis during the bidding period for such physical application forms received. Revised electronic bid file / final bid file shall be shared by the stock exchanges with RTA to the issue. SCSBs to ensure blocking of funds is based on final electronic bid file received from RTA to the issue.
- 2.4 Working days shall be all trading days of stock exchanges excluding Sundays and bank holidays.
- 2.5 The instruction for publication of basis of allotment may be given by T+5 day so that basis of allotment is published in all the newspapers, where issue opening/closing advertisements have appeared earlier, on T+6 before the commencement of trading.



## RESERVE BANK OF INDIA

### *Basel III Capital Regulations - Clarification*

Reserve Bank of India vide its [Master Circular no. RBI/2015-16/285 DBR.No.BP.BC.71/21.06.201/2015-16 dated January 14, 2016](#) issued instructions for “Basel III Capital Regulations”. These instructions are applicable with immediate effect. They are as follows:

Para 1.8(e) of Annex 4: ‘Criteria for Inclusion of Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital’ of the Master Circular states as under:

*“Coupons must be paid out of distributable items. In this context, coupon may be paid out of current year profits. However, if current year profits are not sufficient i.e. payment of coupon is likely to result in losses during the current year, the balance amount of coupon may be paid out of revenue reserves (i.e. revenue reserves which are not created for specific purposes by a bank) and / or credit balance in profit and loss account, if any.*

*However, payment of coupons on PDIs from the revenue reserves is subject to the issuing bank meeting minimum regulatory requirements for CET1, Tier 1 and Total Capital ratios at all times and subject to the requirements of capital buffer frameworks (i.e. capital conservation buffer, countercyclical capital buffer and Domestic Systemically Important Banks).*

*Banks must ensure and indicate in the offer document that they have full discretion at all times to cancel distributions / payments in order to meet the eligibility criteria for perpetual debt instruments.”*

Further, in order to remove any potential ambiguity and to fully reflect the intent of the amendment, para 1.8(e), Annex 4 of the Master Circular is re-worded as under:

*“Coupons must be paid out of distributable items. In this context, coupon may be paid out of current year profits. However, if current year profits are not sufficient, coupon may be paid subject to availability of sufficient revenue reserves (those which are not created for specific purposes by a bank) and / or credit balance in profit and loss account, if any.*

*However, payment of coupons on PDIs from the revenue reserves is subject to the issuing bank meeting minimum regulatory requirements for CET1, Tier 1 and Total Capital ratios at all times and subject to the requirements of capital buffer frameworks (i.e. capital conservation buffer, countercyclical capital buffer and Domestic Systemically Important Banks).*

*Banks must ensure and indicate in the offer document that they have full discretion at all times to cancel distributions / payments in order to meet the eligibility criteria for perpetual debt instruments.”*

### **Master Direction – Import of Goods and Services**

RBI vide Circular RBI/FEB/ 2015-2016/12 FEB Master Direction No. 17/2015-16 dated January 1, 2016, issued a Master Direction – Import of Goods and Services. Under this Master Direction it is stated that instructions issued on import of goods and services into India have been compiled.

### **Master Direction - Acquisition and Transfer of Immovable Property under Foreign Exchange Management Act, 1999**

RBI vide Circular RBI/FED/2015-16/7 FED Master Direction No. 12/2015-16 dated January 1, 2016 issued a Master Direction - Acquisition and Transfer of Immovable Property under Foreign Exchange Management Act, 1999. Under this Master Direction it is stated that the Instructions issued on acquisition of immovable property have been compiled.





### ***Master Direction - Export of Goods and Services***

RBI vide Circular RBI/FED/2015-16/11 FED Master Direction No. 16/2015-16 January 1, 2016 issued a Master Direction - Export of Goods and Services. Under this Master Direction it is stated that the Instructions issued on export of goods and services from India have been compiled.

### ***Master Direction - Establishment of Liaison/ Branch/ Project Offices in India by Foreign Entities***

RBI vide Circular RBI/ FED/ 2015-16/6 FED Master Direction No. 10/ 2015-16 dated January 1, 2016 issued a Master Direction - Establishment of Liaison/ Branch/ Project Offices in India by Foreign Entities. Under this Master Direction it is stated that the existing instructions on the subject of "Establishment of Branch/ Liaison/ Project Offices in India by foreign entities" at one place.

### ***Master Direction - Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad***

RBI vide Circular RBI/FED/2015-16/10 FED Master Direction No. 15/2015-16 dated January 1, 2016 issued a Master Direction - Direct Investment by Residents in Joint Venture (JV) / Wholly Owned Subsidiary (WOS) Abroad. Under this Master Direction it is stated that the Instructions issued on Direct Investment by Residents in Joint Venture (JV)/ Wholly Owned Subsidiary (WOS) Abroad have been compiled.

### ***Master Direction - External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency***



RBI vide Circular [RBI/FED/2015-16/15 FED Master Direction No.5/2015-16](#) dated [January 1, 2016](#) issued a Master Direction - External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers. Under this Master Direction it is stated that the Instructions issued in respect of aforesaid borrowing transactions have been compiled.

### ***Master Circular- Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by FIs- Amendment***

Please refer to Paragraph No.2.5.3.4 (iii) of [Master Circular DBR.No.FID.FIC.3/01.02.00/2015 - 16](#) dated [July 01, 2015](#) on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by FIs.

The position has been reviewed with a view to aligning the asset classification norms applicable to All India Financial Institutions with those for banks. Accordingly, the Paragraph No.2.5.3.4 (iii) of the above Master Circular is amended as follows:-



<b>Existing Paragraph 2.5.3.4(iii)</b>	<b>Revised Paragraph 2.5.3.4(iii)</b>
If any credit facility availed by the issuer of the security is classified as NPA in the books of the FI, investment in any of the securities issued by the same issuer would also be treated as NPI.	If any credit facility availed of by the issuer is classified as NPA in the books of the FI, investment in any of the securities, including preference shares issued by the same issuer would also be treated as NPI and vice versa. However, if only the preference shares are classified as NPI, the investment in any of the other performing securities issued by the same issuer may not be classified as NPI and any performing credit facilities granted to that borrower need not be treated as NPA.*

\* The preference share are subordinate to bank loans and therefore it is possible that the borrowing company is generating enough surplus to service the bank loan, but not to pay dividend on the preference shares. In addition, the non-payment of dividend on preference shares does not expose the borrowing entity to the risk of initiation of bankruptcy proceedings by the holders of the preference shares. Therefore, it is not necessary to downgrade loans in a situation where the investments in the preference shares had become non-performing investments. However, the converse is not true. If a loan becomes non-performing, the investment in preference shares being subordinate to bank loans will have certainly turned non-performing.



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Warm Regards,

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