

LEGAL BRIEFS: BI-WEEKLY LEGAL UPDATES

(Volume 1, Issue 4 | March 02, 2024)

Synergia Legal is bringing it to you a fortnightly compilation of digestible summaries of key legal developments and case laws impacting the business, commercial and economic landscape in India:

CORPORATE LAWS

1. The Ministry of Corporate Affairs issued circular regarding the deployment and usage of Change Request Form (CRF) on MCA-21 (February 19, 2024):

The Ministry of Corporate Affairs, Government of India on February 19, 2024, issued a General Circular No. 02/2024, pertaining to the deployment and usage of the Change Request Form (CRF) on MCA-21. A Change Request Form (CRF) has been introduced on the V3 portal for MCA-21 services users. The web-based form is meant for exceptional circumstances, allowing requests to the Registrar of Companies (RoCs) that cannot be addressed through existing forms or services. The form is specifically for correction of master data and to undertake compliance with court/tribunal directions. The form should not be used for approval or registration-related queries, which should be directed to existing help desk facilities.

(The general circular bearing number 02/2024 is accessible [here](#).)

SECURITIES LAWS

2. The Securities and Exchange Board of India issued circulars on centralization of certification under the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) at KYC Registration Agencies (February 20, 2024):

The Securities and Exchange Board of India (SEBI) issued circulars bearing number CIR/MIRSD/2/2015 on August 26, 2015, and CIR/MIRSD/3/2015 on September 10, 2015, along with guidance notes on FATCA and CRS norms from the Department of Revenue, Ministry of Finance. The said circulars state that the reporting financial institutions (RFIs) must obtain self-certification from clients, as part of the account opening process, to determine

their residence for tax purposes. Rule 114G(11)(a) of Income Tax Rules, 1962, mandates regulators to provide instructions for maintaining information by RFIs.

In response to stakeholder feedback and to facilitate business and compliance reporting, intermediaries acting as RFIs are required to upload FATCA and CRS certifications obtained from clients onto the system of KYC Registration Agencies (KRAs) starting from July 01, 2024. Existing certifications obtained before this date must be uploaded within 90 days of the circular's implementation.

(The SEBI circular bearing number SEBI/HO/MIRSH/SECFATC/P/CIR/2024/13 is accessible [here](#).)

3. The Securities and Exchange Board of India released a consultation paper on ease of doing business initiatives for mutual funds (February 23, 2024):

The consultation paper seeks public input on proposals to enhance the ease of doing business for Mutual Funds (MFs), driven by the Finance Minister's commitment to simplify and reduce compliance costs in the financial sector for FY 2023-24. SEBI established working groups to review MF compliance, and the paper discusses interim recommendations covering the appointment of a single fund manager, relaxing nomination requirements for joint holders, and streamlining prudential norms for passive schemes. Operational challenges and public feedback are highlighted.

Three key issues are addressed for public input: Appointment of a Single Fund Manager for Domestic and Overseas/Commodity Funds: Current regulations mandate dedicated fund managers for commodity and overseas investment funds. The working group (WG) highlights operational challenges, such as increased costs for asset management companies (AMCs) employing two fund managers. The WG suggests making this appointment optional, subject to competency checks and periodic reporting to trustees.

(The consultation paper on ease of doing business initiatives for mutual funds is accessible [here](#).)

4. The Securities and Exchange Board of India issued an advisory against fraudulent trading schemes claiming to be offered to Indian residents by FPIs (February 23, 2024):

The SEBI has issued an advisory warning against fraudulent trading schemes falsely claiming affiliation with SEBI-registered Foreign Portfolio Investors (FPIs). Fraudsters use online platforms, social media, and live broadcasts to lure victims into downloading applications that supposedly offer trading opportunities through FPIs or Foreign Institutional Investors (FIIs). They pose as SEBI-registered FPI employees, convincing individuals to make stock market transactions without official trading accounts. SEBI clarifies that the FPI investment

route is unavailable to Indian residents, with no provision for an "Institutional Account." Investors are urged to exercise caution and avoid schemes claiming SEBI endorsement on social media, WhatsApp, Telegram, or apps facilitating stock market access through FPIs or FIIs.

(The advisory by the SEBI is accessible [here](#).)

5. The Securities and Exchange Board of India issued a consultation paper on proposals to improve ease of doing business with respect to the additional disclosure framework (February 27, 2024):

The consultation paper addresses proposed amendments to the additional disclosure framework for Foreign Portfolio Investors (FPIs), outlined in the August 24, 2023 circular. The first proposal suggests exempting Category I University Funds and University-related Endowments FPI from enhanced disclosure requirements, subject to specific criteria. The second proposal aims to exempt reporting requirements for funds with concentrated holdings in entities without an identified promoter group, under certain conditions. These amendments were introduced in 2023 to prevent circumvention of minimum public shareholding norms.

(The consultation paper by the SEBI is accessible [here](#).)

FINTECH/BANKING

6. The Reserve Bank of India has issued an amendment to the Master Direction on Prepaid Payment Instrument (February 23, 2024):

The Reserve Bank of India (RBI) has issued an amendment (RBI/2023-24/126) to the Master Direction on Prepaid Payment Instruments (MD-PPIs), referencing the previous directive CO.DPSS.POLC.No.S-479/02.14.006/2021-22. The amendment, dated February 23, 2024, allows authorized bank and non-bank Prepaid Payment Instrument (PPI) issuers to issue PPIs specifically designed for making payments in various public transport systems. This decision aims to enhance the convenience, speed, affordability, and safety of digital payment methods for commuters using public transit services. The amendment comes into immediate effect and is issued under the Payment and Settlement Systems Act, 2007.

(The Amendment to Master Direction on Prepaid Payment Instruments is accessible [here](#).)

7. The Reserve Bank of India has introduced the Master Directions – Reserve Bank of India (Filing of Supervisory Returns) Directions, 2024 (February 27, 2024):

The Reserve Bank of India (RBI) has introduced the Master Direction – Reserve Bank of India (Filing of Supervisory Returns) Directions – 2024 to simplify and streamline the instructions for submission of returns by supervised entities on 27th February 2024. This initiative, in line with the Regulations Review Authority (RRA 2.0) and an Internal Working Group's recommendations, aims to reduce compliance burdens on regulated entities. The Master Direction offers a comprehensive framework, eliminating obsolete instructions, and consolidates twenty existing guidelines, including one for Non-Banking Financial Companies. It establishes a unified document for compliance with supervisory data submission, enhancing clarity and brevity while harmonizing timelines. The Master Direction also includes a summary of all changes for easy reference.

(The Master Direction – Reserve Bank of India (Filings of Supervisory Returns) Directions, 2024 is accessible [here](#).)

8. The Reserve Bank of India invited comments on the “Draft Disclosure Framework on Climate-related Finance Risks, 2024” (February 28, 2024):

The Reserve Bank of India (RBI) has released the "Draft Disclosure framework on Climate-related Financial Risks, 2024" in accordance with the announcement made in the Statement on Developmental and Regulatory Policies on February 08, 2023. The guidelines apply to various financial institutions, including scheduled commercial banks, co-operative banks, financial institutions, and non-banking financial companies. The RBI is inviting comments and feedback on the draft, which can be submitted by email with the subject line "Comments on Disclosure framework on Climate-related Financial Risks, 2024" until April 30, 2024.

(The Press Release inviting comments on the “Draft Disclosure Framework on Climate-related Finance Risks, 2024 is accessible [here](#).)

9. The Reserve Bank of India has introduced an updated Enabling Framework on Regulatory Sandbox (February 28, 2024):

The Reserve Bank of India (RBI) has introduced an updated 'Enabling Framework for Regulatory Sandbox,' as of February 28, 2024. The revision is based on the insights gained from running four cohorts over the past four and a half years and feedback received from FinTechs, banking partners, and other stakeholders. Notable changes include an extension of the Regulatory Sandbox process timeline from seven to nine months. Additionally, the updated framework mandates sandbox entities to comply with the provisions of the Digital

Personal Data Protection Act, 2023. The Regulatory Sandbox aims to encourage responsible innovation in financial services, enhance efficiency, and deliver benefits to consumers, as initially outlined on August 13, 2019, following extensive consultations with stakeholders.

(The Press Release introducing the Enabling Framework for Regulatory Sandbox is accessible [here](#).)

10. The Reserve Bank of India has notified the Master Direction – Reserve Bank of India (Bharat Bill Payment System) Directions, 2024 (February 29, 2024):

The Reserve Bank of India (RBI) notified the Master Direction – Reserve Bank of India (Bharat Bill Payment System) Directions, 2024. The directions have been issued to streamline the process of bill payment, enable greater participation, and enhance consumer protection among other changes.

(The Master Direction – Reserve Bank of India (Bharat Bill Payment System) Directions, 2024 is accessible [here](#).)

OTHERS

11. The Competition Commission of India (CCI) notified the Competition Commission of India (Lesser Penalty) Regulations, 2024 (February 20, 2024):

The Competition Commission of India notified the Competition Commission of India (Lesser Penalty) Regulations, 2024. The regulations provide the CCI with power to impose lower penalties than prescribed under the Competition Act, 2002. Further, the regulations provide for conditions for levying of a lower penalties and a process (including timelines) to avail the same. Furthermore, the regulations ensure the confidentiality of the information provided by the applicant.

(The Competition Commission of India (Lesser Penalty) Regulations, 2024 are accessible [here](#).)

12. The Union Cabinet has approved 100% FDI to be allowed in the space sector (February 20, 2024):

The Union Cabinet, led by Prime Minister Narendra Modi, has approved amendments to the Foreign Direct Investment (FDI) policy in the space sector, allowing 100% FDI. The revised policy facilitates up to 74% FDI through the automatic route for satellite-related activities, beyond which government approval is required. Launch vehicles and associated systems can receive up to 49% FDI under the automatic route, with higher percentages requiring

government approval. Additionally, 100% FDI under the automatic route is permitted for manufacturing components and systems for satellites. The move aims to attract investors, foster private sector participation, create jobs, and enhance technology absorption in the space sector.

13. Eminent jurist and senior advocate Fali Nariman passes way (February 21, 2024):

Eminent jurist and Senior Advocate Fali S. Nariman passed away at the age of 95. Known for his seven-decade-long legal career, Mr. Nairman earned respect as a "towering intellectual" and a conscience keeper for judicial institutions. Mr. Nariman played a significant role in landmark cases, such as IC Golaknath, Minerva Mills, and TMA Pai, shaping Indian Constitutional Law. He also represented Union Carbide in the Bhopal Gas disaster case and criticized the Supreme Court's handling of the abrogation of Article 370. Mr. Nariman, awarded the Padma Bhushan in 1991 and the Padma Vibhushan in 2007, was a vocal critic of the judiciary, calling out injustices and expressing views on the collegium system and the basic structure doctrine.

Disclaimer: The compilation in the document is intended to provide general publicly available information. Nothing contained in this document shall be considered or be construed as a legal advice provided by Synergia Legal or any of its members.

Contact Us: For any further information, please send an email at admin@synergialegal.com