

# MONTHLY CORPORATE NEWSLETTER

## SEPTEMBER 2024

Dear Readers,

We bring you a concise analysis of important developments, recent publications and judgements and noteworthy regulatory amendments in the corporate and financial sectors on a monthly basis.

In this issue, we bring you the most recent updates and important notifications from key regulatory bodies including SEBI, RBI, and CCI. Stay informed with our comprehensive coverage on the latest circulars, notifications and orders that impact the corporate landscape.

Perceiving the significance of these updates and the need to keep track of the same, we have prepared this newsletter providing a concise overview of the various changes brought in by our proactive regulatory authorities and the Courts!

Feedback and suggestions from our readers would be appreciated. Please feel free to write to us at [mail@lexport.in](mailto:mail@lexport.in).

Regards,  
Team Lexport



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Lexport is a full-service Indian law firm offering consulting, litigation and representation services to a range of clients.

The core competencies of our firm's practice *inter alia* are Trade Laws (Customs, GST & Foreign Trade Policy), Corporate and Commercial Laws and Intellectual Property Rights.

The firm also provides Transaction, Regulatory and Compliance Services. Our detailed profile can be seen at our website [www.lexport.in](http://www.lexport.in).

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**PART A: LATEST CIRCULARS / NOTIFICATIONS**

**1. Scheme for Trading and Settlement of Sovereign Green Bonds in the IFSC**

The Reserve Bank of India has introduced the ‘Scheme for Trading and Settlement of Sovereign Green Bonds in the International Financial Services Centre (IFSC) in India’. This Scheme governs investments in Sovereign Green Bonds issued by the Government of India, specifically for eligible investors in the IFSC.

**Scheme Overview**

(a) Investors may participate in the Reserve Bank’s primary auctions for these securities and trade them in the secondary market within the IFSC, subject to the terms and conditions set forth in the Scheme.

(b) Eligible International Banking Units (IBUs) are prohibited from participating in the primary auctions. However, they are permitted to engage in secondary market transactions, in accordance with the Scheme's terms and conditions.

(c) To implement the Scheme, the following measures will be undertaken: The authorised depository and authorised clearing corporations must each open a Constituent Subsidiary General Ledger (CSGL) account and a current account with the Reserve Bank.

Additionally, the authorised depository and authorised clearing corporations may open an INR account with a commercial bank in India.

These entities are required to comply with the 'Constituents' Subsidiary General Ledger Account: Eligibility Criteria and Operational Guidelines,' issued by the Reserve Bank on September 22, 2021, and amended periodically. Non-compliance may result in penalties as per Section 30 of the Government Securities Act, 2006.

Furthermore, the authorised depository and authorised clearing corporations must adhere to the Reserve Bank's terms and conditions for opening current accounts.

## **2. Foreign Exchange (Compounding Proceedings) Rules, 2024**

The Ministry of Finance has notified the Foreign Exchange (Compounding Proceedings) Rules, 2024, under the powers conferred by section 46, read with section 15 of the Foreign Exchange Management Act (FEMA), 1999. These amended rules will replace the existing Foreign Exchange (Compounding Proceedings) Rules, 2000.

Under these rules, in cases where a person contravenes the provisions of the Act, the following authorities may compound the contravention based on the sum involved:

- If the sum involved is ₹5 lakh or less, the Deputy Director of the Directorate of Enforcement may compound the contravention.
- If the sum involved is more than ₹5 lakh but less than ₹10 lakh, the Additional Director of the Directorate of Enforcement may compound the contravention.
- If the sum involved is ₹10 lakh or more but less than ₹50 lakh, the Special Director of the Directorate of Enforcement may compound the contravention.
- If the sum involved is ₹50 lakh or more but less than ₹1 crore, the Special Director along with the Deputy Legal Adviser of the Directorate of Enforcement may compound the contravention.

- If the sum involved is ₹1 crore or more, the Director of Enforcement, along with the Special Director of the Directorate of Enforcement, may compound the contravention.

These authorities may compound the contravention in accordance with the provisions of the rules.

### 3. SEBI enables T+2 trading of Bonus shares where T is the record date

SEBI, in its ongoing effort to streamline the process for issuing bonus equity shares, has consulted with market participants and decided to shorten the time required for crediting and trading bonus shares from the record date under SEBI (ICDR) Regulations, 2018. This change enables T+2 trading of bonus shares, where T represents the record date.

#### **Operational Procedure for Implementing the Revised Process:**

1. **Application for Approval:** The issuer proposing a bonus issue must apply for in-principle approval from the Stock Exchange within 5 working days of the board meeting approving the bonus issue.
2. **Record Date and Allotment:** When fixing and communicating the record date (T day) to the Stock Exchange for the bonus issue, the issuer must also record the deemed date of allotment on the next working day after the record date (T+1 day).
3. **Stock Exchange Notification:** Upon receiving the intimation of the record date (T day) and requisite documents from the issuer, the Stock Exchange(s) will issue a notification accepting the record date and confirming the number of shares considered for the bonus issue. The notification will also specify the deemed date of allotment (T+1 day).
4. **Submission to Depositories:** After the Stock Exchange's notification of the record date, the issuer must submit the requisite documents to the depositories for crediting the bonus shares into the depository system by no later than 12 P.M. on the next working day after the record date (T+1 day).
5. **Distinctive Number (DN) Range:** The issuer must upload the distinctive number (DN) ranges into the DN database of the depository. The Stock Exchange(s) will ensure the relevant dates are updated before the bonus shares are credited.
6. **Trading Availability:** The shares allotted through the bonus issue will be available for trading on the next working day following the allotment (T+2 day).

### 4. SEBI has announced an optional mechanism for fee collection by SEBI registered Investment Advisers (IAs) and Research Analysts (RAs)

SEBI, through its circular dated September 13, 2024, has introduced an optional mechanism for fee collection by SEBI-registered Investment Advisers (IAs) and Research Analysts (RAs). Following

public consultation and discussions with various stakeholders, the "Centralized Fee Collection Mechanism for IA and RA" (CeFCoM) has been established to streamline the collection of fees by registered IAs and RAs from their clients.

Under this mechanism, clients will pay fees to IAs/RAs via a designated platform or portal managed by a recognized Administration and Supervisory Body (ASB). The mechanism has been developed by BSE Limited in collaboration with key stakeholders. BSE Limited will specify the operational framework for this mechanism by September 23, 2024, with full operationalization starting on October 1, 2024.

Although the use of this mechanism is optional, ASB will take proactive steps to encourage both clients and registered IAs/RAs to utilize it in the interest of investor protection. Registered IAs and RAs are also expected to promote the use of this mechanism to their clients.

## **5. IRDAI Clarification Regarding Subscription Of Capital Securities Issued By Insurers**

IRDAI vide circular dated 06.09.2024 has issued clarification regarding subscription of Capital securities issued by insurers. Capital issued by any insurer may be subscribed by any of the following entity(ies), subject to compliance with all other applicable laws including but not limited to laws pertaining to taxation, foreign exchange, anti-money laundering, combating the financing of terrorism:

Any entity incorporated, set-up or registered under any law for the time being in force in India; or Any entity incorporated, set-up or registered under any law for the time being in force in any Financial Action Task Force compliant jurisdiction.

## **6. New Compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013**

On September 3, 2024, the Office of the Additional Deputy Commissioner-cum-District Officer, Gurugram, issued a notification emphasizing the enforcement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 (PoSH Act). The notification stresses the need for organizations to form an Internal Complaints Committee (ICC) and ensure compliance.

### **Key Requirements of the PoSH Act, 2013**

- 1. Formation of ICC:** Organizations with more than 10 employees must form an ICC comprising:
  - A Presiding Officer (senior female employee).
  - At least two employee members.
  - One external member from an NGO or legal expert.
- 2. Compliance and Reporting:** Ensure the ICC is functional with documented records of its formation, complaints, actions taken, and training programs.

## Steps for Compliance

1. **Review Practices:** Verify that your ICC is formed, members are appointed, and a policy is in place.
2. **Gather Information:** Collect ICC details, policy documents, training records, and complaint handling procedures.
3. **Prepare Submission:** Follow the format provided in the notification or seek clarification if unclear.
4. **Submit Details:** Send required information by September 5, 2024, to [posh-grg.rev@hry.gov.in](mailto:posh-grg.rev@hry.gov.in), ensuring all documents are properly labeled.
5. **Follow-Up:** Confirm receipt and address any follow-up questions. Request extensions if needed.

## 7. New Notice for M2M Service Providers: Register Now or Face Disruption

On September 3, 2024, the Department of Telecommunications (DoT) issued a directive mandating all Machine-to-Machine (M2M) Service Providers and WPAN/WLAN Connectivity Providers to register on the Saral Sanchar portal by September 30, 2024. Non-compliance could result in service disruptions and the withdrawal of telecom resources by Authorized Telecom Licensees.

This registration aims to secure and streamline the M2M/IoT ecosystem, following DoT's February 2022 guidelines, which were designed for transparency and efficiency. The mandate applies to various entities, including companies, government organizations, partnerships, LLPs, institutions, proprietorships, societies, and trusts.

The registration process is simple:

1. Visit the Saral Sanchar Portal.
2. Complete and submit the registration form.
3. Upload required documents.
4. Receive confirmation from the DoT.

Failure to register by September 30, 2024, may result in telecom resource disconnection, affecting M2M services vital for various sectors.

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## 8. Companies (Prospectus and Allotment of Securities) Amendment Rules, 2024

The Ministry of Corporate Affairs (MCA), through a notification on **September 20, 2024**, issued the **Companies (Prospectus and Allotment of Securities) Amendment Rules, 2024**. The key amendments introduced are as follows:

- Dematerialization Requirement for Private Companies:** A private company that is **not classified as a small company** as of the financial year ending on or after **March 31, 2023**, must convert its securities into dematerialized form within **18 months** of the closure of that financial year. This requirement ensures that such companies transition to a more transparent and regulated system of holding securities electronically.
- Dematerialization Requirement for Producer Companies:** Producer companies are given a longer timeline to comply with the dematerialization mandate. These companies must ensure that their securities are dematerialized within **five years** from the end of the relevant financial year. This extended timeline provides producer companies, which often operate differently than other corporate entities, with ample time to adopt the necessary changes.

This amendment marks a significant shift in the governance of securities, pushing for increased digitization and transparency within corporate operations. It ensures that companies in both private and producer categories align with modern financial practices, fostering better regulatory oversight.

### **PART B: Article**

#### **1. The Role Of Environmental, Social, And Governance (Esg) Factors In Corporate Law**

In this article, our **Partner, Rajiv Sawhney** and **Junior Associate, Akshita Agarwal**, highlights the ethical implications of AI in corporate governance and the regulatory frameworks that are beginning to emerge in response.

Click on the below link to read the article:

<https://t.ly/xVG-M>

**END OF THE NEWSLETTER**

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