
Corporate & Commercial Updates
Newsletter | April – May 2024



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Securities and Exchange Board of India

1. FACILITATING COLLECTIVE OVERSIGHT OF DISTRIBUTORS FOR PORTFOLIO MANAGEMENT SERVICES

Securities and Exchange Board of India (“**SEBI**”) issue a notification on 02 May 2024, w.r.t. Regulation 23 of SEBI (Portfolio Managers) Regulations, 2020 in order to facilitate the collective oversight of distributors for Portfolio Management Services (PMS) through Association of Portfolio Managers in India (APMI). Through this notification SEBI decided that any person or entity involved in the distribution of PMS shall obtain registration with APMI. Portfolio Managers shall ensure that any person or entity engaged in the distribution of its services has obtained registration with APMI.

** the circular shall come into effect from 01 January 2025, and APMI shall issue the criteria for registration of distributors by 01 July 2024.*

2. FACILITATING EASE IN DIGITAL ON-BOARDING PROCESS AND ENHANCING THIRANSPARENCY

SEBI issued a circular on 02 May 2024, w.r.t. Regulation 22(1) of SEBI (Portfolio Managers) Regulation, 2020 to promote ease of doing business for Portfolio Managers. The following are the amendments in relation to the same:

#	Particulars	Description
1.	Ease in Digital on-boarding process for clients of Portfolio Managers	<p>1. Before the Portfolio Manager takes up on an assignment of managing the funds and portfolio, on behalf of his client, he shall enter into an agreement with such client detailing all the mutual rights, liabilities and obligations pertaining to management of the Portfolio.</p> <p>2. While on-boarding a client, Portfolio Manager shall ensure the following: -</p> <p>a. The client has understood the structure of fees and charges.</p> <p>b. The new client has separately signed annexure pertaining to fees and charges</p>

		<i>This provision shall be applicable from 01 October 2024.</i>
2.	Fee Calculation Tool	Portfolio Manager shall provide a fee calculation tool to all his clients. Access to such tool shall be provided in advance to all new clients, on-boarded on or after 01 October 2024.
3.	Additional Fees Disclosure	PMS – Client Agreement a. Annexure for fees and charges to the PMS – Client Agreement shall contain an additional fee illustration: one year and multi – year fee illustrations that covers different scenarios. b. Illustration shall be provided for new clients, on-boarded on or after 01 October 2024.

3. CERTIFICATION REQUIREMENTS FOR KEY INVESTMENT TEAM OF MANAGER OF AIF

SEBI issued a circular on 13 May 2024, in terms of Reg. 4(g)(l) of SEBI (Alternative Investment Funds) Regulations, 2012, the key investment team of the Manager of an AIF shall have at least one key personnel. This requirement must be complied on or before 09 May 2024 by:

- a. Existing schemes of AIF
- b. Schemes of AIF, whose application for launch of scheme is pending with SEBI as on 10 May 2024.

4. STANDARD OPERATING PROCEDURE FOR HANDLING OF STOCK EXCHANGE OUTAGE AND EXTENSION OF TRADING HOURS

In continuation with the SEBI circular, dated 09 January 2023, standard operating procedure for handling stock exchange outage and extension of trading hours thereof in Commodity Derivatives segment was proposed through another circular on 27 May 2024, wherein it first defined the term ‘Stock Exchange Outage’ as stoppage of continuous trading, either suo moto by exchange or by virtue of reasons beyond the control of Stock Exchange.

SEBI announced that if such outage occurs on one Exchange, market hours shall remain unchanged on unaffected exchange(s).

If a Stock Exchange experiences such a situation, it shall intimate the same to its stakeholders as follows:

- a. To Market Participants/Trading Members: within 15 minutes from the occurrence of outage – through broadcast message or by publishing it on their website
- b. To SEBI: Immediately after the occurrence – through an email to techglitch@sebi.gov.in

It is mandatory for the Stock Exchange to update about the situation of the outage in every 45 minutes from the initial intimation, until normalcy is restored.

Sr. No.	Commodity Derivative Segment	Provision		
1.	For Contracts/Products traded up to 5:00 PM	Intimation to Market Participants	Resumption of Trading	Extended Market Hours
		4:15 PM	4:30 PM – 5:00 PM	No Extension
		4:45 PM	5:00 PM – 5:30 PM	30 mins
		After 4:45 PM	Not Applicable	No Extension
	For Contracts/Products traded up to 9:00 PM	Intimation to Market Participants	Resumption of Trading	Extended Market Hours
		8:15 PM	8:30 PM – 9:00 PM	No Extension
		8:45 PM	9:00 PM – 9:30 PM	30 mins
After 8:45 PM	Not Applicable	No Extension		
2.	For Contacts/Products traded up to 11:30 PM	Intimation to Market Participants	Resumption of Trading	Extended Market Hours
		10:45 PM	11:00 PM – 11:30 PM	No Extension
		11:10 PM	11:25 PM – 11:55 PM	30 mins
		After 11:10 PM	Not Applicable	No Extension
	For Contacts/Products traded up to 11:55 PM	Intimation to Market Participants	Resumption of Trading	Extended Market Hours
		11:10 PM	11:25 PM – 11:55 PM	No Extension
		After 11:10 PM	Not Applicable	No Extension

5. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) AMENDS ALTERNATIVE INVESTMENT FUND (AIF) REGULATIONS IN ORDER TO ENSURE INVESTORS' PROTECTION

SEBI issued a notification on 25 April 2024, which aimed at amending the SEBI (Alternative Investment Funds) Regulation, 2012 to call it as SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2024. The main aim of bringing this amendment was to provide flexibility to AIFs, especially their investors so that they could deal in unliquidated investments. The detailed amendments are as follows: -

Sr. No.	Nature of Amendment	AIF Regulation	Extract of the Amended Regulation	Crux of Amendment
1.	Insertion	Reg 16	<i>Provided that Category I Alternative Investment Funds may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure sub-</i>	Category I and Category II AIFs are

			sectors listed in the Harmonized Master List of Infrastructure issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time.	enabled to create encumbrance on equity of the investee company. Such an investee company must be involved in the business of developing,
2.	Insertion	Reg 17	<i>Provided that Category II Alternative Investment Funds may create encumbrance on equity of investee company, which is in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonized Master List of Infrastructure issued by the Central Government, only for the purpose of borrowing by such investee company and subject to such conditions as may be specified by the Board from time to time.</i>	operating or managing projects of any of the infrastructure sub-sectors listed in the Harmonized Master List of Infrastructure (issued by Central Government).
3.	Insertion	Reg 20	<i>Every Alternative Investment Fund, Manager of the Alternative Investment Fund and Key Management Personnel of the Manager and the Alternative Investment Fund shall exercise specific due diligence, with respect to their investors and investments, to prevent facilitation of circumvention of such laws, as may be specified by the Board from time to time.</i>	All AIFs, its Managers as well as its KMPs are required to conduct a due diligence on their investors and investment made by them, in order to prevent any contravention of the law.
4.	Insertion	Reg 29(9A)	<i>If the liquidation period for a scheme of an Alternative Investment Fund has expired or is expiring within three months from the date of notification of the Securities</i>	If the liquidation period has expired or is expiring (within next three months), the companies may be

			<i>and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024, such schemes may be granted an additional liquidation period, subject to such conditions and in the manner as may be specified by the Board.</i>	granted an additional liquidation period.
5.	Insertion	Reg 29(10)	<i>If the scheme of an Alternative Investment Fund enters into a dissolution period as provided under regulation 29B and the unliquidated investments of the scheme are not sold by the expiry of the dissolution period, such investments shall be mandatorily distributed in-specie to the investors, in the manner as may be specified by the Board.</i>	Dissolution Period According to SEBI regulations, any unsold investments of the AIF scheme remaining at the end of the dissolution period must be compulsorily distributed in-specie to the investors.
6.	Insertion	Reg 29A (8)	<i>No Alternative Investment Fund shall launch any new liquidation scheme under this regulation after the notification of the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2024.</i>	After the passing of this Regulation, no AIF can launch any new liquidation scheme.
7.	Insertion	Reg 29B	<i>(1) A scheme of an Alternative Investment Fund may enter into a dissolution period in the manner and subject to such conditions as may be specified by the Board. (2) The scheme entering into a dissolution period shall file an information memorandum with the Board through a merchant banker in the</i>	An Alternative Investment Fund (AIF) scheme can enter a dissolution period under conditions set by the Board, during

			<p><i>manner as may be specified by the Board.</i></p> <p><i>(3) The dissolution period of a scheme of an Alternative Investment Fund shall not be more than the original tenure of the scheme and shall not be extended in any manner upon expiry of the dissolution period.</i></p> <p><i>(4) The scheme of the Alternative Investment Fund shall not accept any fresh commitment from any investor and shall not make any new investment during the dissolution period.</i></p>	<p>which it must file an information memorandum through a merchant banker. This period cannot exceed the scheme's original tenure, cannot be extended, and no new investments or investor commitments are allowed.</p>
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6. RELAXATION IN REQUIREMENT OF INTIMATION OF CHANGES IN THE TERMS OF PRIVATE PLACEMENT MEMORANDUM OF AIFs THROUGH MERCHANT BANKER

SEBI via its Master Circular dated 31 July 2023, intimated that any changes made in the Private Placement Memorandum (PPM) is required to be submitted to SEBI through a Merchant Banker, along with a due diligence certificate authorized by him, in the format prescribed by SEBI. A circular was issued on April 29, 2024, in this regard which eased the reporting of changes in PPM through a merchant banker.

Market participants had sent their feedback to SEBI in order to ease this reporting of changes made in PPM, therefore, SEBI came up with this particular circular wherein some of the changes could be filed directly with SEBI, which facilitated the ease of doing business and rationalizing cost of compliance for AIFs. Changes in ppm which are not required to be filed through merchant banker: -

Sr. No.	Particulars	
1.	Change in contact details (address, phone number, etc.,) of AIF, sponsor, manager, trustee or custodian. <i>Proviso – changes which require regulatory approval, have to be filed through a merchant banker.</i>	
2.	Change in: <ul style="list-style-type: none"> • Size of fund/scheme • Any information related to affiliates • Commitment period • Key Investment Team • Key Management Personnel of AIF or Manager 	Change of: <ul style="list-style-type: none"> • Auditor • Registrar Transfer Agents • Legal Advisor • Tax Advisor

	<ul style="list-style-type: none"> • Advisory Board 	
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Large Value Funds for Accredited Investors (LVFs) may directly file any changes in their PPM with SEBI, along with a duly signed and stamped undertaking by CEO of the Manager of the AIF and Compliance Officer of Manager of the AIF.

7. EASE OF DOING BUSINESS – FUND MANAGER FOR MUTUAL FUND SCHEMES INVESTING IN COMMODITIES AND OVERSEAS SECURITIES

To modify certain provisions of the Master Circular dated May 19, 2023, SEBI issued a circular on April 30, 2024, aiming to promote ease of doing business for investing in commodities and overseas securities. The said modifications are as follows: -

Sr. No.	Modifications made by the Circular
1.	There is no compulsion to appoint a dedicated fund manager for commodity – based funds.
2.	Through this Circular, SEBI has now made it optional to appoint a dedicated fund manager for making prescribed overseas investment.
3.	Appointed fund manager should have the requisite expertise and experience to manage investments in commodities market or in overseas securities. The responsibility for ensuring compliances and reporting is on the board of asset management.



OTHER UPDATES

1. EXTENSION OF THE VALIDITY PF FOREIGN CONTRIBUTION (REGULATION) ACT, 2010, REGISTRATION CERTIFICATES

Ministry of Home Affairs (MoHA) issued a public notice on 28 March 2024 to extend the validity of the registration certificates of the following categories of FCRA registered entities: -

Sr. No.	Registered Entities of FCRA	Extension Granted Till
1.	Validity of registration certificates of such entities whose validity was extended till March 31, 2024, and whose renewal is still pending.	June 30, 2024 OR Till the date of disposal of renewal application (whichever is earlier)
2.	Validity of those FCRA entities whose 5-year validity period is expiring during April 01, 2024 to June 30, 2024, and have applied or will apply for renewal before their validity ends.	June 30, 2024 OR Till the date of disposal of renewal application (whichever is earlier)

In case of refusal of the application for renewal of certificate of registration, the validity of certificate shall be deemed to have expired on the date of refusal of the application of renewal and the association shall not be eligible either to receive the foreign contribution or utilize the foreign contribution so received.

2. OPENING, HOLDING AND MAINTAINING A FOREIGN CURRENCY ACCOUNT OUTSIDE INDIA

Reserve Bank of India has made amendments in the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India), Regulations, 2015 which are called as 'Principal Regulations'. The major amendment was made to Regulation 5 of these Regulations

– Indian companies raising funds through External Commercial Borrowings (ECB), American Depository Receipts (ADRs), Global Depository Receipts (GDRs), or direct listing on international exchanges can hold these funds in foreign currency accounts with banks outside India, pending their use or repatriation to India, provided they comply with relevant conditions.

3. FOREIGN EXCHANGE MANAGEMENT (MODE OF PAYMENT AND REPORTING OF NON – DEBT INSTRUMENTS) (AMENDMENT) REGULATIONS, 2024

Via a notification, Reserve Bank of India made amendments in the Foreign Exchange (Mode of Payment and Reporting of Non – Debt Instruments) Regulations, 2019. The amendment outlines various aspects related to investments in Indian public companies listed on international exchanges, including the mode of payment, the remittance of sale proceeds, and reporting norms. The detailed amendments made are as follows: -

Sr. No.	Nature of Amendment	Regulation	Explanation
1.	Insertion	3.1 (Schedule XI)	A. Mode of Payment: The amount of consideration shall be paid through banking channels to a foreign currency account of the Indian Company, as an inward remittance. B. Remittance of Sale Proceeds: The sale proceeds may be remitted outside India or may be credited to the bank account of the permissible holder.
2.	Substitution	4(8)	LEC(FII): (i) The Authorised Dealer Category I banks shall report to the Reserve Bank in Form LEC (FII) the purchase / transfer of equity instruments by FPIs on the stock exchanges in India. (ii) The Investee Indian company through an Authorised Dealer Category I bank shall report to the Reserve Bank in Form LEC (FII) the purchase/subscription of equity shares (where such purchase / subscription is classified as Foreign Portfolio Investment under the rules) by permissible holder, other than transfers between permissible holders, on an International Exchange

4. REVISED LIMITS FOR FOREIGN INVESTMENT THROUGH AUTOMATIC ROUTE IN SPACE SECTOR

The Ministry of Commerce and Industry, via a notification, revised the old limits for foreign investment made in space sector through automatic route. The amended FDI Policy is as follows: -

Sr. No.	Sector	Sectoral Cap	Entry Route
1.	A. Satellites – Manufacturing & Operation B. Satellite Data Products C. Ground Segment & User Segment	100%	Up to 74% - Automatic Beyond 74% - Government Route
2.	A. Launch Vehicles and Associated systems or subsystems B. Creation of Spaceports for launching and receiving Spacecraft	100%	Up to 49% - Automatic Beyond 49% - Government Route
3.	Manufacturing of components and systems/subsystems for satellites, ground segment and user segment	100%	Up to 100% - Automatic

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