

Veritas Finance Private Limited

# REGULATORY UPDATE

OCTOBER 2022

[www.veritasfin.in](http://www.veritasfin.in)



# INTRODUCTION

## Objective:

Keeping up to date with Legislations, Rules and Practices applicable to our NBFC sector to stay compliant and be aware of repercussions, to plan consequential actions, to add value to business and to achieve a competitive edge.

**Period:** October 2022

## Coverage:

The Newsletter would broadly cover the following applicable areas:

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Image courtesy : Reserve Bank of India (website: <https://rbi.org.in/>)

# RESERVE BANK OF INDIA

## RESERVE BANK OF INDIA

Circular Number	Date of Issue	Subject / Applicability	Gist
RBI/2022-23/125  DOR.STR.REC.71/21.06. 201/2022-23	October 10, 2022	<b>Review of Prudential Norms – Risk Weights for Exposures to Corporates and NBFCs</b>  <a href="https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12396&amp;Mode=0">https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12396&amp;Mode=0</a>	<p>RBI has observed that the press release issued by the External Credit Assessment Institutions (ECAIs) often doesn't contain the details of the lenders, the absence of which might result in banks applying the derived risk weights for unrated exposures, without being satisfied with the adherence to the prescribed condition which would eventually lead to the lower provision of capital and underpricing of the risks.</p> <p>Further, it was observed that the disclosures are not available in large numbers of press releases issued by the ECAI due to the absence of the prior consent of the borrowers. Hence the loan ratings devoid of such disclosures won't be eligible for being reckoned for the computation of capital by the banks. The banks must consider such exposures as unrated, followed by assigning applicable risks as per the risk weights prescribed in the master circular ibid with amendments carried out from time to time.</p> <p>In cases where ECAI have not made the above disclosure, none of the banks should reckon s rating and, therefore, shall apply risk weights of 100 % or 150 % as applicable in terms of extant instructions.</p> <p>The above instructions shall be effective from March 31, 2023.</p>
RBI/2022-23/129  DOR.CRE.REC.No.78/03. 10.001/2022-23	October 11, 2022	<b>Multiple NBFCs in a Group: Classification in Middle Layer</b>  <a href="https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12400&amp;Mode=0">https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12400&amp;Mode=0</a>	<p>In line with the existing policy on consolidation of assets of the NBFCs in a Group, the total assets of all the NBFCs in a Group shall be consolidated to determine the threshold for their classification in the Middle Layer.</p> <p>If the consolidated asset size of the Group is ₹1000 crore and above, then each Investment and Credit Company (NBFC-ICC), Micro Finance Institution (NBFC-MFI), NBFC-Factor and Mortgage Guarantee Company (NBFC-MGC) lying in the Group shall be classified as an NBFC in the Middle Layer and consequently, regulations as applicable to the Middle Layer shall be applicable to them.</p>



Circular Number	Date of Issue	Subject / Applicability	Gist
			<p>Statutory Auditors are required to certify the asset size (as on March 31) of all the NBFCs in the Group every year. The certificate shall be furnished to the Department of Supervision of the Reserve Bank under whose jurisdiction the NBFCs are registered.</p> <p>These guidelines shall be effective from October 01, 2022.</p> <p>Provisions contained in this circular will not be applicable for classifying an NBFC in the Upper Layer.</p> <p>Illustrative examples are provided in the Annex to this circular.</p>



*Image courtesy : Securities and Exchange Board of India (website :<https://www.sebi.gov.in/>)*

# **SECURITIES AND EXCHANGE BOARD OF INDIA**

## SECURITIES AND EXCHANGE BOARD OF INDIA

Notification Number	Date of Issue	Subject	Gist
SEBI/HO/DD HS/RACPOD1/CIR/P/2022/136	October 03, 2022	<b>Extension of timeline for entering the details of the existing outstanding non-convertible securities in the 'Security and Covenant Monitoring' system hosted by Depositories</b>  <a href="https://www.sebi.gov.in/legal/circulars/oct-2022/extension-of-timeline-for-entering-the-details-of-the-existing-outstanding-non-convertible-securities-in-the-security-and-covenant-monitoring-system-hosted-by-depositories_63648.html">https://www.sebi.gov.in/legal/circulars/oct-2022/extension-of-timeline-for-entering-the-details-of-the-existing-outstanding-non-convertible-securities-in-the-security-and-covenant-monitoring-system-hosted-by-depositories_63648.html</a>	<ul style="list-style-type: none"> <li>SEBI vide Circular SEBI/HO/MIRSD/MIRSD_CRADT/CIR/P/2021/618 dated August 13, 2021, specified the manner of recording of charges by Issuers and manner of monitoring and other responsibilities of Debenture Trustees (DTs), Credit Rating Agencies, etc. for 'Security and Covenant Monitoring' using Distributed Ledger Technology (DLT).</li> <li>SEBI is in receipt of representations from depositories that issuers have requested for extension in the timeline of entering the legacy data, viz. details of the existing outstanding non-convertible securities.</li> <li>On consideration it has been decided to provide an extension of one month.</li> <li>Accordingly, it is informed that in modification of the para 8.d of the SEBI Circular dated March 29, 2022, for existing outstanding non-convertible securities, issuers shall ensure that they enter the details into the DLT system on or before October 31, 2022, and DTs shall verify the same by December 31, 2022.</li> </ul>
SEBI/HO/DD HS/DDHS_Div1/P/CIR/2022/00139	October 10, 2022	<b>Review of provisions pertaining to Electronic Book Provider platform - Replacement of Chapter VI to Operational Circular dated August 10, 2021</b>  <a href="https://www.sebi.gov.in/legal/circulars/oct-2022/review-of-provisions-pertaining-to-electronic-book-provider-platform-replacement-of-chapter-vi-to-operational-circular-dated-august-10-2021_63807.html">https://www.sebi.gov.in/legal/circulars/oct-2022/review-of-provisions-pertaining-to-electronic-book-provider-platform-replacement-of-chapter-vi-to-operational-circular-dated-august-10-2021_63807.html</a>	<ul style="list-style-type: none"> <li>Chapter VI of the Operational Circular no. SEBI/HO/DDHS/P/CIR/2021/613 dated August 10, 2021, issued by SEBI, prescribes provisions pertaining to Electronic Book Provider (EBP) platform.</li> <li>The said circular stipulates the issuances which have to necessarily be made through EBP, the eligible participants, obligations/responsibilities of various entities, provision to issuer to withdraw offer, process of bidding and allotment, etc.</li> <li>SEBI has received representations from various market participants, requesting for review of the provisions pertaining to EBP platform, in order to address the issues of 'fastest finger first' (viz. allotment based on time priority in bidding for issuances with fixed parameters), certain bidders not getting allocations despite having worked on the issuance pre-listing, high ratio of green shoe to base issue size, limits on arrangers placing bids on behalf of clients, etc.</li> <li>Accordingly, it is proposed to replace the extant Chapter VI (Electronic Book Provider platform) of the aforementioned Operational Circular with a revised Chapter, as enclosed in Annex - A.</li> <li>The provisions of this circular shall come into effect from January 1, 2023.</li> </ul>

Notification Number	Date of Issue	Subject	Gist
SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/140	October 13, 2022	<b>Suspension, Cancellation or Surrender of Certificate of Registration of a Credit Rating Agency</b>  <a href="https://www.sebi.gov.in/legal/circulars/oct-2022/suspension-cancellation-or-surrender-of-certificate-of-registration-of-a-credit-rating-agency-63998.html">https://www.sebi.gov.in/legal/circulars/oct-2022/suspension-cancellation-or-surrender-of-certificate-of-registration-of-a-credit-rating-agency-63998.html</a>	<p>In order to facilitate orderly migration of credit ratings of listed or proposed to be listed, non-convertible securities, securitised debt instruments, security receipts, municipal debt securities or commercial paper, and other regulated products pursuant to cancellation, suspension, or surrender of certificate of registration of a CRA to another SEBI-registered CRA, certain guidelines are prescribed, subject to the requirements of corresponding cancellation or suspension order(s) passed by SEBI ("the Order"), if any.</p> <p>Listed entities or issuers who have obtained credit rating from a CRA whose registration is cancelled or suspended or surrendered, desirous of obtaining credit rating for regulatory purposes, shall obtain credit rating(s) from another SEBI-registered CRA(s) holding a valid certificate of registration under CRA Regulations.</p>
SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141	October 13, 2022	<b>Governing Council for Social Stock Exchange ("SSE")</b>  <a href="https://www.sebi.gov.in/legal/circulars/oct-2022/governing-council-for-social-stock-exchange-sse-64000.html">https://www.sebi.gov.in/legal/circulars/oct-2022/governing-council-for-social-stock-exchange-sse-64000.html</a>	<p>As per Regulation 292D of the ICDR Regulations, every Social Stock Exchange shall constitute a Social Stock Exchange Governing Council to have an oversight on its functioning, with composition and terms of reference as specified by the Board. Aspects related to the Social Stock Exchange Governing Council("SGC") are specified.</p> <p>The Stock Exchange shall constitute a Governing Council for the Social Stock Exchange prior to seeking final approval from SEBI for introduction of Social Stock Exchange as a separate segment.</p>
SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/142	October 19, 2022	<b>Request for Quote (RFQ) platform for trade execution and settlement of trades in listed Non-convertible Securities, Securitised Debt Instruments, Municipal Debt Securities and Commercial Paper</b>  <a href="https://www.sebi.gov.in/legal/circulars/oct-2022/request-for-quote-rfq-platform-for-trade-execution-and-settlement-of-trades-in-listed-non-convertible-securities-securitised-debt-instruments-municipal-debt-securities-and-commercial-paper-64215.html">https://www.sebi.gov.in/legal/circulars/oct-2022/request-for-quote-rfq-platform-for-trade-execution-and-settlement-of-trades-in-listed-non-convertible-securities-securitised-debt-instruments-municipal-debt-securities-and-commercial-paper-64215.html</a>	<p>RFQ is an electronic platform to enable sophisticated, multi-lateral negotiations to take place on a centralized online trading platform with straight-through-processing of clearing and settlement to complete a trade.</p> <p>SEBI has been receiving representations from market participants to permit stockbrokers to place bids on behalf of their clients to facilitate wider market participation in the corporate bond market. After consideration and deliberations, it has been decided to allow stockbrokers registered under the debt segment of the Stock Exchange(s) to place/ seek bids on the RFQ platform on behalf of client(s), in addition to the existing option of placing bids in a proprietary capacity.</p> <p>This circular shall come into force with effect from January 1, 2023.</p>

Notification Number	Date of Issue	Subject	Gist
SEBI/HO/DD HS/P/CIR/20 22/00144	October 28, 2022	<b>Reduction in denomination for debt securities and non-convertible redeemable preference shares</b>  <a href="https://www.sebi.gov.in/legal/circulars/oct-2022/reduction-in-denomination-for-debt-securities-and-non-convertible-redeemable-preference-shares-64429.html">https://www.sebi.gov.in/legal/circulars/oct-2022/reduction-in-denomination-for-debt-securities-and-non-convertible-redeemable-preference-shares-64429.html</a>	<p>SEBI has received representations from various market participants, including issuers, requesting for review of the said denominations. In particular, non-institutional investors consider the high-ticket size as a deterrent which restricts their ability to access the market for corporate bonds. If the face value and trading lot is reduced, more investors can participate, which in turn will enhance the liquidity in the corporate bond market.</p> <p>Therefore, the face value of each debt security or non-convertible redeemable preference share issued on private placement basis/ traded on a stock exchange or OTC basis shall be Rs. One lakh.</p> <p>The provisions of this circular shall be applicable to all issues of debt securities and non-convertible redeemable preference shares, on private placement basis, through new ISINs, on or after January 1, 2023.</p>



# **INSOLVENCY AND BANKRUPTCY CODE, 2016(IBC)**

## IBBI Updates

Notification Number	Date of Issue	Subject	Gist
No. IBBI/2022-23/GN/REG100	October 03, 2022	<b>Insolvency and Bankruptcy Board of India (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) (Amendment) Regulations, 2022</b>  <a href="https://ibbi.gov.in/uploads/legalframework/e64020d75bf890e8128d1a4224b0acc.pdf">https://ibbi.gov.in/uploads/legalframework/e64020d75bf890e8128d1a4224b0acc.pdf</a>	The Regulations prescribe that no insolvency professional entity, recognized by the Board under regulation 13 of the Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations, 2016, shall be enrolled as a professional member if it is not eligible to be registered as an insolvency professional with the Board

## Other Updates

Notification Number	Date of Issue	Subject	Gist
20221028-16	October 28, 2022	<p>Standard Operating Process under SEBI (PIT) Regulations, 2015 for ensuring compliance with Structured Digital Database (SDD)</p> <p><a href="https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20221028-16">https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20221028-16</a></p>	<p>BSE Stock Exchange has released SOP with reference to Reg 3(5) and 3(6) of SEBI (PIT) Regulations, 2015 which required SDD to be maintained by the company.</p> <p>In this regard, companies are required to submit a quarterly compliance certificate certified either by the compliance officer or a Practicing Company Secretary (PCS) in the format enclosed.</p> <p>The companies are required to submit the SDD compliance certificate as per the below schedule:</p> <ol style="list-style-type: none"> <li><b>For quarter ended September 2022 – Latest by November 18, 2022</b></li> <li><b>For quarter ended December 2022 – Latest by January 21, 2023</b></li> </ol> <p>Please note that a separate circular shall be issued by the Exchanges for handling of compliance certificate for quarter ending March 2023 onwards.</p>
20221012-44	October 12, 2022	<p><b>Frequently asked questions (FAQs) on Corporate Governance</b></p> <p><a href="https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20221012-44">https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20221012-44</a></p>	<p>The BSE Stock exchange has released Frequently asked questions (FAQs) on Corporate Governance for submitting Corporate Governance XBRL utility at Exchange for the Quarter ended 30th September 2022.</p>





## **GST UPDATES**

## GST UPDATE

Notification number and Link	Date of Issue	Gist
<a href="https://www.gst.gov.in/newsandupdates/read/556">https://www.gst.gov.in/newsandupdates/read/556</a>	October 01, 2022	<p><b>Advisory on Filing TRAN-1/2 Forms to claim Transitional Credit</b></p> <p>The Hon'ble Supreme Court of India has provided a one-time opportunity to all the aggrieved taxpayers to file Form TRAN-1/TRAN-2 and claim their transitional input tax credit in GST system. In compliance of the Hon'ble court's directive, the facility for filing TRAN-1/TRAN-2 or revising the earlier filed TRAN-1/TRAN-2 on the GST common portal by aggrieved taxpayers have been made available by GSTN from October 01, 2022, and as per the court's instruction shall be available to all aggrieved taxpayers till November 30, 2022.</p>
<a href="https://www.gst.gov.in/newsandupdates/read/557">https://www.gst.gov.in/newsandupdates/read/557</a>	October 06, 2022	<p><b>Module wise new functionalities deployed on the GST Portal for taxpayers</b></p> <p>Various new functionalities are implemented on the GST Portal, from time to time, for GST stakeholders. These functionalities pertain to different modules such as Registration, Returns, Advance Ruling, Payment, Refund and other miscellaneous topics. Various webinars are also conducted as well informational videos prepared on these functionalities and posted on GSTNs dedicated YouTube channel for the benefit of the stakeholders.</p>
No. 21/2022 - CENTRAL TAX  <a href="https://www.cbic.gov.in/resources/htdocs-ct-ebec/gst/21-2022-ct-eng.pdf">https://www.cbic.gov.in/resources/htdocs-ct-ebec/gst/21-2022-ct-eng.pdf</a>	October 21, 2022	<p><b>CBIC notified to extend the due date of filing FORM GSTR-3B for the month of September 2022</b></p> <p>The due date for furnishing the return in FORM GSTR-3B, for the registered persons required to furnish return under sub-section (1) of section 39 read with clause (i) of sub-rule (1) of rule 61 of the Central Goods and Services Tax Rules, 2017, for the month of September 2022 has been extended till the October 21, 2022.</p>
<a href="https://www.gst.gov.in/newsandupdates/read/559">https://www.gst.gov.in/newsandupdates/read/559</a>	October 21, 2022	<p><b>Sequential filing of GSTR-1 &amp; filing of GSTR-1 before GSTR-3B on GST Portal</b></p> <p>The Central Government has amended Section 37 &amp; Section 39 of Central Goods &amp; Service Tax Act (CGST), 2017 vide Notification No. 18/2022-Central Tax dated 28th September 2022 with effect from 01 October 2022.</p> <p>According to section 37(4) of CGST, Act, a taxpayers shall not be allowed to file GSTR-1 if previous GSTR-1 is not filed and as per sec 39(10) a taxpayer shall not be allowed to file GSTR-3B if GSTR-1 for the same tax period is not filed.</p> <p>These changes are being implemented prospectively and will be operational on GST Portal from 01st November, 2022. Accordingly, from October-2022 tax period onwards, the filing of previous period GSTR-1 will be mandatory before filing current period GSTR-1.</p>

## IT UPDATES:

Notification Number	Date of Issue	Subject	Gist
Circular number 20/2022	October 26, 2022	<b>Extension of due date for furnishing return of income for the Assessment Year 2022-23</b>	The Central Board of Direct Taxes (CBDT), in exercise of its powers under Section 119 of the Income-tax Act, 1961 (Act), has extended the due date of furnishing of Return of Income under sub-section (1) of section 139 of the Act for the Assessment Year 2022-23, which is 31 <sup>st</sup> October 2022 in the case of assesses referred in clause (a) of Explanation 2 to sub-section (1) of section 139 of the Act, to 07 <sup>th</sup> November, 2022.

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