VERITAS FINANCE

Veritas Finance Private Limited

REGULATORY UPDATE

OCTOBER 2019

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 2019

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

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Circular Number	Date of Issue	Subject / Applicability	Gist
RBI Press release	04.10.2019	Statement on Developmental and Regulatory Policies Regulation and Supervision https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=48318	**Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI)** A Sub-Committee of the Central Board of the Reserve Bank (Chairman: Shri Y. H. Malegam) was constituted to study issues and concerns in the MFI sector. Based on the recommendations of the Committee, it was decided to create a separate category of NBFC, viz., Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI) and a detailed regulatory framework for NBFC-MFIs was put in place in December 2011. The income and loan limits to classify an exposure as eligible asset were last revised in 2015. Taking into consideration the important role played by MFIs in delivering credit to those in the bottom of the economic pyramid and enable them to play their assigned role in a growing economy, it is proposed to revise these criteria as under: • Increase the household income limit for borrowers of NBFC-MFIs from the current level of ₹ 1.00 lakh for rural areas and ₹ 1.60 lakh for urban/semi urban areas to ₹ 1.25 lakh and ₹ 2.00 lakh, respectively. • Raise the lending limit from ₹ 1.00 lakh to ₹ 1.25 lakh per eligible borrower. Detailed guidelines in this regard will be issued shortly.

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

SECURITIES AND EXCHANGE BOARD OF INDIA

Circular Number	Date of Issue	Subject / Applicability	Gist
CIR/CFD/CMD1/ 114/2019	18.10.2019	Resignation of statutory auditors from listed entities and their material subsidiaries https://www.sebi.gov.in/legal/circulars/oct-2019/resignation-of-statutory-auditors-from-listed-entities-and-their-material-subsidiaries_44703.html	Through this Circular, SEBI prescribes the action required by the statutory auditor in the event of their resignation. i. Where the Auditor resigns within 45 days from the end of a quarter, the auditor shall, before resigning issue the limited review/ audit report for such quarter. ii. Where the Auditor resigns after 45 days from the end of a quarter, then the auditor shall, before such resignation issue the limited review/ audit report for such quarter as well as the next quarter. iii. Where the auditor has signed the limited review/ audit report for the first three quarters of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for the last quarter of such financial year as well as the audit report for that financial year. iv. In the event the auditor has not received information from management, the audit shall report Disclaimer in Audit Report as required by the Standards of Auditing. The Board has also prescribed a format for the information to be obtained from the statutory auditor on their resignation.
SEBI/HO/DDHS/DDHS/CIR/P/2019/115	22.10.2019	Framework for listing of Commercial Paper https://www.sebi.gov.in/legal/circulars/oct-2019/framework-for-listing-of-commercial-paper_44715.html	The issuers of Commercial Papers (CPs) have shown interest to list CPs for trading on Stock Exchange(s) with a view to broadening participation in CPs. Accordingly, to enable listing of CPs and to ensure investor protection, it is important that issuers make appropriate disclosures at the time of listing and on a continuous basis.

Circular Number	Date of Issue	Subject / Applicability	Gist
			In view of the above, a disclosure framework applicable for listing of CPs, issuers and stock exchanges shall comply at the time of listing and on a continuous basis with the following: An issuer who desires to list its CP shall forward an application for listing along with the disclosures specified in Annexure I to the concerned stock exchange(s). On approval of the listing application by the concerned stock exchange(s), the disclosures so provided along with the application for listing Shall be made available on the website of the concerned stock exchange(s). Post listing, the issuer shall make disclosures, as specified in Annexure II, during the tenure of the CP(s) to the concerned stock exchange(s), which in turn shall disseminate the same on its website. The Stock exchange(s) are advised to put in place a Necessary systems and procedures for monitoring of disclosures as specified in Annexure I & II of the circular. A framework for imposition of fine, in case of non-compliance and/or inappropriate disclosures by issuers. Any non-compliance with the conditions of listing issued under this circular may also attract action under Securities and Exchange Board of India Act, 1992.

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Ministry of Corporate Affairs

Government Of India

Image courtesy : Ministry of Corporate Affairs (website http://www.mca.gov.in/MinistryV2/homepage.html)

MINISTRY OF CORPORATE AFFAIRS

MINISTRY OF CORPORATE AFFAIRS

Notification Number	Date of Issue	Subject	Gist
G.S.R. 776(E)	11.10.2019	Amending Schedule VII of the Companies Act, 2013 dated 11.10.2019. http://www.mca.gov.in/Ministry/pdf/Notification_18102019.pdf	Through this amendment to Schedule VII of the Companies Act 2013, CSR contribution made to Public- funded universities, IITs and National Laboratories and Autonomous Bodies, established under specified national organizations with the aim to promote Sustainable Development Goals, in addition to Incubators run by Academic Institutions, will be treated as eligible CSR contribution under Section 135 of the Companies Act, 2013.
G.S.R. 777(E)	11.10.2019	The Companies (Meetings of Board and its Powers) Amendment Rules, 2019 http://www.mca.gov.in/Ministry/pdf/MeetingsBoardPowersAmendtRules11102019.pdf	To synchronise Rule 11 of Companies (Meetings of Board and its Powers) Rules, 2014 with Clause 11(a) of Section 186 of the Companies Act, 2013, which lists out the situations where provisions of Section 186 are not applicable, the words "business of financing industrial enterprises" shall be substituted in place of "business of financing of companies
G.S.R. 793(E)	16.10.2019	Companies (Incorporation) Eighth Amendment Rules, 2019 http://www.mca.gov.in/Ministry/pdf/CompIncEighthAmndtRules_18102019.pdf	MCA vide its notification has amended Companies (Incorporation) Rules, 2014 with following amendments: 1. Proposed name of the Company is not considered as undesirable if the name includes a registered trade mark in the same class of goods or services to be carried out by the company if the consent of the owner of the trade mark is obtained. Earlier, consent from applicant for registration of the trademark was also required. 2. A Company which is marked as Active-non-complaint cannot file DIR-12 except for: a. cessation of any director b. appointment of directors in such company where the total number of directors are less than the minimum number on account of disqualification of all or any of the director

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			c. appointment of any director where DINs of all or any of its director(s) have been deactivated. d. appointment of director(s) for implementation of the order passed by the Court or Tribunal or Appellate Tribunal 3. The application filed by any company for shifting its registered office within the same State from the jurisdiction of one ROC to the jurisdiction of another ROC will be examined by the Regional Director and put up for orders without hearing. Such order shall be passed within fifteen days of the receipt of application. The Company has to file the order in Form No.INC-28 within thirty days of receipt of the certified copy.
S.O. 3791(E)	22.10.2019	Indian Institute of Corporate Affairs at Manesar (Haryana) as Data Bank http://www.mca.gov.in/Ministry/pdf/NotificationIICA_22102019.pdf	The Central Government has notified the IICA at Manesar (Haryana) to be an institute for creation and maintenance of data bank containing the names, address and qualifications of the persons eligible to be the Independent Directors with effect from 01.12.2019.
G.S.R. 805(E)	22.10.2019	The Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019. http://www.mca.gov.in/Ministry/pdf/CmpInpdtDirectorsRules_22102019.pdf	1. MCA notifies that the Indian institute of Corporate Affairs shall create and maintain an online databank of individuals eligible to be the Independent Directors, which shall be placed on the website of the Institute. 2. The Institute shall be assigned the responsibility to conduct self-assessment tests and preparation of the study material. 3. A panel of ten members nominated by the Central Government shall approve the outline for study material and courses prepared by the institute.

Notification Number	Date of Issue	Subject	Gist
G.S.R. 803(E	22.10.2019	The Companies (Accounts) Amendment Rules, 2019. http://www.mca.gov.in/Ministry/pdf/CmpAccAmndtRules_22102019.pdf	MCA requires the Board Report to include a statement of Board's opinion with respect to the integrity, expertise and experience (including proficiency, assessed through the online assessment test conducted by the Institute u/s 150 of the Act) of the Independent Directors, who were appointed during the year.
G.S.R. 804(E)	22.10.2019	The Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019. http://www.mca.gov.in/Ministry/pdf/CmpFifthAmndtRules_22102019.pdf	Rule 6 of the said Rules is substituted, which provides guidelines to be complied with by any person who is appointed/intends to get appointed as an Independent Director on or after 1st December 2019. The rule indicates the timelines within which the eligible candidates must get their names included in the data bank maintained by the Institute, proof of compliance, which shall be submitted to the Board of Directors u/s 149(7). Once the names are included, within a period of one year from such inclusion, the said persons should obtain a minimum of 60% in the online proficiency test conducted by the institute. Directors/KMPs who have served Boards for over 10 years are excluded from taking this test.

GST UPDATES

GST UPDATE

CBIC issues 6 New GST Notifications on 09th October 2019 to give effect to decisions of 37th GST Council decisions and also to make amendments in Central Goods and Services Tax Rules 2017.

Vide These Notifications CBIC Notifies the following:

- Due date of furnishing FORM GSTR-3B for the months of October, 2019 to March, 2020 notified.

- Due date of furnishing FORM GSTR-1 if aggregate turnover exceeds Rs.1.5 Crores notified.

- GST Annual Return is voluntary for registered persons whose aggregate Turnover is less than Rs. 2 crores.

- CBIC provide relief to registered persons in Jammu and Kashmir by extending due dates for filing Form GSTR-1, GSTR-7 & GSTR-3B.

- CBIC restricts ITC to 20% in case of difference with details uploaded by suppliers in GSTR-1. ITC availment in respect of invoices or debit notes not uploaded by the suppliers is restricted to 20% of the eligible credit available in respect of invoices or debit notes uploaded by the suppliers

- Further notifies that GSTR 3B is a return under section 39 with retrospective effect from 01-07-2017.

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