

## REGULATORY UPDATES FOR SEPTEMBER MONTH-2021

### ■ COMPANY LAW UPDATES:

#### ✓ MCA RELAXES THE LAST DATE OF FILING OF COST AUDIT REPORT TO THE BOARD OF DIRECTORS:

The circular states that if a cost-audit report for the financial year 2020-21 by the cost auditor to the Board of Directors of the companies is submitted by October 31, 2021 then the same would not be viewed as a violation of rule 6(5) of Companies (cost records and audit) Rules, 2014. Therefore, the cost audit report for the financial year ended on March 31, 2021 shall be filed in e-form CRA-4 within 30 days from the date of receipt of the copy of the cost audit report by the company. However, in case a company has got an extension of time for holding Annual General Meeting under section 96(1) of the Act then e-form CRA-4 may be filed within the timeline provided under the proviso to rule 6(6) of the Companies (Cost Records and Audit) Rules, 2014.

#### ✓ MCA DIRECTS ROC TO EXTEND DUE DATE OF AGM FOR F.Y. ENDING MARCH 31, 2020- 2021 BY TWO MONTHS

The Central Government has received representation seeking extension of Annual General Meetings for Financial Year 2020-21 citing many difficulties faced by stakeholders during the second wave of Covid-19 and consequent lockdown etc., accordingly, the Central Government has decided to advise Registrar of Companies (RoCs) to accord approval for extension of time for a period of two months beyond the due dates by which companies are required to conduct AGMs for the financial year 2020-21 ended on March 31, 2021. The Govt. has also prescribed a standard template for the order to be issued by RoCs u/s 96(1) of the Companies Act, 2013 for granting of an extension of time for conducting of AGM for the Financial year 2020-21 ended on 31.03.2021.

As per the third proviso to section 96(1) of the Companies Act, 2013, the Registrar of Companies may, for any special reason, extend the time within which any annual general meeting other than the first annual general meeting, shall be held, by a period not exceeding three months.

The due date for holding the AGM by the corporate entities and laying down their annual audited financial statements for the FY 2020-21 was 30.9.2021. Now, once the order for extension of the AGM due date is issued by the respective RoCs, the revised due date for holding of AGM would be 30.11.2021 i.e. would be extended by a period of two months.

<https://mca.gov.in/bin/dms/getdocument?mids=qzTulllLqZljWuK94mbrbQ%2530%2530&type=open>

### ■ SEBI UPDATES

#### ✓ ALIGNMENT OF INTEREST OF ASSET MANAGEMENT COMPANIES ('AMCS') WITH THE UNITHOLDERS OF THE MUTUAL FUND SCHEMES

Regulation 25 of SEBI (Mutual Funds) Regulations, 1996 ('MF Regulations'), asset management companies are required to invest such amount in such scheme(s) of the mutual fund, based on the risk associated with the scheme, as may be specified by the Board from time to time.

Based on the risk value assigned to the scheme(s), AMC's are required to invest minimum amount as a percentage of assets under management ('AUM') in their scheme(s).

[https://www.sebi.gov.in/legal/circulars/sep-2021/alignment-of-interest-of-asset-management-companies-amcs-with-the-unitholders-of-the-mutual-fund-schemes\\_52344.html](https://www.sebi.gov.in/legal/circulars/sep-2021/alignment-of-interest-of-asset-management-companies-amcs-with-the-unitholders-of-the-mutual-fund-schemes_52344.html)

✓ **POSITION LIMITS FOR CURRENCY DERIVATIVES CONTRACTS**

Position limit refers to the highest number of options or futures contracts an investor is allowed to hold on one security. Gross open positions of the client across all contracts in the respective currency pairs will not exceed the limits set up by the market regulator.

For USD-INR, gross open position across all contracts will not exceed 6% of the total open interest or \$20 million, whichever is higher. Earlier, the limit was \$10 million.

In EUR-INR case, the gross open position across all contracts will not exceed 6 % of the total open interest or 10 million euros, whichever is higher. The limit was earlier fixed at 5 million euros.

For GBP-INR, gross open position across all contracts will not exceed 6% of the total open interest or 10 million pounds, whichever is higher. Earlier, limit was set at 5 million pounds.

For JPY-INR, gross open position across all contracts will not exceed 6 % of the total open interest or JPY 400 million Japanese yen, whichever is higher. Previously, the limit was 200 million Japanese yen.

"The revised position limits shall also apply to Non-Resident Indians (NRIs) and Category II Foreign Portfolio Investors (FPIs) that are individuals, family offices, and corporate.

[https://www.sebi.gov.in/legal/circulars/sep-2021/position-limits-for-currency-derivatives-contracts\\_52450.html](https://www.sebi.gov.in/legal/circulars/sep-2021/position-limits-for-currency-derivatives-contracts_52450.html)

✓ **INTRODUCTION OF T+1 ROLLING SETTLEMENT ON AN OPTIONAL BASIS**

The market regulator SEBI has introduced a T+1 rolling settlement on an optional basis for stock exchanges. The move came in after the regulator received requests from various stakeholders to further shorten the settlement cycle. The T+1 settlement cycle is to provide flexibility to exchanges.

[https://www.sebi.gov.in/legal/circulars/sep-2021/introduction-of-t-1-rolling-settlement-on-an-optional-basis\\_52462.html](https://www.sebi.gov.in/legal/circulars/sep-2021/introduction-of-t-1-rolling-settlement-on-an-optional-basis_52462.html)

✓ **RISK MANAGEMENT FRAMEWORK (RMF) FOR MUTUAL FUNDS**

The Securities and Exchange Board of India has published the revised Risk Management Framework (RMF) which provides a set of principles or standards, which inter alia comprise the policies, procedures, risk management functions and roles & responsibilities of the management, the Board of AMC and the Board of Trustees.

The framework will be effective from January 01, 2022, and asset management companies (AMCs) must perform a self-assessment of their RMF and practices and come up with a roadmap for implementation of the framework.

The elements of RMF, wherever applicable, have been segregated into 'mandatory elements' which should be implemented by the AMCs and 'recommendatory elements' which address other leading industry practices that can be considered for implementation by the AMCs, to the extent relevant to them.

There shall be an approved policy on the RMF both at AMC and scheme level. Risk Management shall be an independent and specific function of the AMC.

[https://www.sebi.gov.in/legal/circulars/sep-2021/risk-management-framework-rmf-for-mutual-funds\\_52943.html](https://www.sebi.gov.in/legal/circulars/sep-2021/risk-management-framework-rmf-for-mutual-funds_52943.html)

✓ **CIRCULAR ON SWING PRICING FRAMEWORK FOR MUTUAL FUND SCHEMES**

SEBI has issued a circular Swing pricing framework for mutual fund schemes. The Swing pricing framework was introduced for open ended debt mutual fund schemes (except overnight funds, Gilt funds and Gilt with 10-year maturity funds). The circular shall be applicable with effect from March 1, 2022.

Under this framework, to begin with, the swing pricing framework will be made applicable only for scenarios related to net outflows from the schemes. The framework shall be a hybrid framework with:

- A partial swing during normal times and
- A mandatory full swing during market dislocation times for high risk open ended debt schemes.

[https://www.sebi.gov.in/legal/circulars/sep-2021/circular-on-swing-pricing-framework-for-mutual-fund-schemes\\_52997.html](https://www.sebi.gov.in/legal/circulars/sep-2021/circular-on-swing-pricing-framework-for-mutual-fund-schemes_52997.html)

✓ **GUIDELINES FOR INVESTMENT ADVISERS - EXTENSION OF TIMELINES**

"Guidelines for Investment Advisers" issued vide Circular No. SEBI/HQ/IMD/DFI/CIR/P/2020/182 dated September 23, 2020 (hereinafter referred as "Circular") inter alia prescribed timeline of six months from the end of each financial year for Investment Advisers (IA) to conduct annual audit in respect of compliance of SEBI (Investment Advisers) Regulations, 2013 ("IA Regulations") and circulars issued there under. Further, a timeline of one month from the date of the audit report but not later than October 31st of each year was prescribed for submitting adverse findings of such audit, if any, for the previous financial year starting with the financial year ending March 31, 2021.

[https://www.sebi.gov.in/legal/circulars/sep-2021/guidelines-for-investment-advisers-extension-of-timelines\\_53049.html](https://www.sebi.gov.in/legal/circulars/sep-2021/guidelines-for-investment-advisers-extension-of-timelines_53049.html)

■ **TAX UPDATES**

✓ **CBDT EXTENDS DUE DATE FOR FILING OF IT RETURNS FOR AY 2021-22 TILL DECEMBER 31:**

The Central Board of Direct Taxes (CBDT) has extended the due date for filing the Income Tax Returns for the assessment year 2021-22 till December 31. The deadline for ITR filing was already extended from July 31, 2021, to September 30, 2021, in view of the disastrous second wave of coronavirus disease (Covid-19) pandemic.

<https://www.incometaxindia.gov.in/Lists/Press%20Releases/Attachments/969/Press-Release-CBDT-extends-due-dates-for-filing-of-IT>Returns-dated-09-09-2021.pdf>

■ **RBI UPDATES**

✓ **RBI CAUTIONS AGAINST FRAUDS IN THE NAME OF KYC UPDATION**

The Reserve Bank has been receiving complaints/reports about customers falling prey to frauds being perpetrated in the name of KYC updation. The usual modus operandi in such cases include receipt of unsolicited communication, such as,

calls, SMSs, emails, etc., by customer urging him/her to share certain personal details, account / login details/ card information, PIN, OTP, etc. or install some unauthorized/unverified application for KYC updation using a link provided in the communication. Such communications are also reported to carry threats of account freeze/ block/closure. Once customer shares information over call/message/unauthorized application, fraudsters get access to customer's account and defraud him/her.

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=52216](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52216)

✓ **RBI BULLETIN – SEPTEMBER 2021**

The Reserve Bank of India released the September 2021 issue of its monthly Bulletin. The Bulletin includes two Speeches, five Articles and Current Statistics.

The five articles are: I. State of the Economy; II. Changes in Sectoral Bank Credit Allocation: Developments since 2007-08; III. Private Corporate Investment: Growth in 2020-21 and Outlook for 2021-22; IV. Financial Inclusion Plan – Reflecting the Growth Trajectory; and V. Financial Inclusion Index for India.

[https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=52238](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=52238)

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