B S R & Co. LLP
Chartered Accountants

Corporate reporting insights

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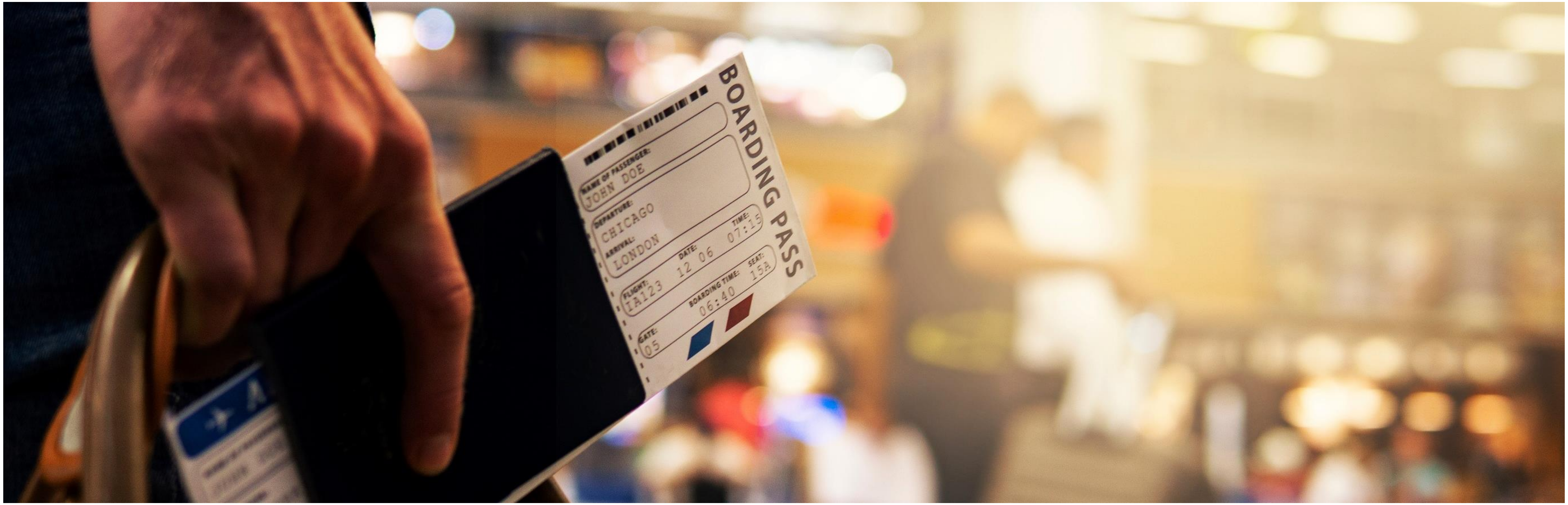
Extension of time period for conducting AGMs and EGMs through video conference

On 25 September 2023, the Ministry of Corporate Affairs (MCA) notified that the companies whose Annual General Meetings (AGMs) are due in 2023 or 2024, can conduct its AGM through Video Conference (VC) or Other Audio Visual Means (OAVM) on or before **30 September 2024.**

However, the circular clarifies that this would not imply conferring any extension of the time for holding the AGMs by the companies and accordingly, the companies which do not adhere to the relevant statutory timelines, would be liable to legal consequences under the relevant provisions of the Companies Act, 2013.

The extension would also apply in case of Extraordinary General Meetings (EGMs).

(Source: MCA general circular no. 09/2023 dated 25 September 2023)



Timeline extended for verification of market rumours by listed entities

Regulation 30(11) of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 SEBI (LODR Regulations) requires mandatory confirmation, denial or clarification of any reported event or information in the mainstream media which is not general in nature and which indicates that rumours of an impending specific material event or information are circulating amongst the investing public. The requirements were applicable to top 100 listed entities by market capitalisation from 1 October 2023 and top 250 listed entities with effect from 1 April 2024.

SEBI through its circular dated 30 September 2023 has extended the effective date of implementation of Regulation 30(11).

The requirement is now applicable to:

Top 100 listed entities**	From 1 February 2024 (earlier 1 October 2023)
Top 250 listed entities**	From 1 August 2024 (earlier 1 April 2024)

** As per market capitalisation as at the end of the immediately preceeding financial year.

(Source: SEBI circular no. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/162 dated 30 September 2023)

Amendments relating to NCDs in the LODR Regulations

Recently, SEBI amended the LODR Regulations. Through the amendment, SEBI has inserted a new regulation – **Regulation 62A: *Listing of subsequent issuances of Non-Convertible Debt Securities (NCDS).***

Regulation 62A states the following:

- **Compulsory listing of NCDs:** A listed entity whose NCDS are listed, should list all NCDS, proposed to be issued on or after **1 January 2024** on the stock exchange(s).
- **Voluntary listing of unlisted NCDs:** A listed entity whose subsequent issues of unlisted NCDS made on or before **31 December 2023** are outstanding on the said date, have the option to list such securities on the stock exchange(s).
- **Listing of outstanding unlisted NCDs:** A listed entity that proposes to list its NCDS on the stock exchange(s) on or after **1 January 2024,** should list all outstanding unlisted NCDS, previously issued on or after 1 January 2024 on the stock exchange(s), within **three months** from the date of listing of the NCDS proposed to be listed.
- **Exemptions from compulsory listing:** Certain categories of NCDs are exempt from this requirement, including bonds issued under Section 54EC of the Income-tax Act, 1961, NCDs issued pursuant to an agreement with multilateral institutions, and those issued basis an order of the court or Tribunal or regulatory requirement from financial sector regulators such as SEBI, Reserve Bank of India (RBI), Insurance Regulatory and Development Authority (IRDA), or Pension Fund Regulatory and Development Authority (PFRDA).
- **Lock-in period for exempted NCDs:** The exempted NCDs should be unencumbered, locked in and held till maturity by the investors.
- **Disclosure requirements:** Listed entity that proposes to issue securities under Regulation 62A(4) should disclose key details of such securities to the stock exchanges.

Effective date: The amendments are effective from 19 September 2023.

(Source: SEBI circular no. SEBI/LAD-NRO/GN/2023/151 dated 19 September 2023)

Key decisions taken at SEBI board meeting

SEBI approved the following proposals in its board meeting dated 21 September 2023:

- **Flexibility in the framework for Large Corporates (LCs) for meeting incremental financing needs by issuing debt securities:** SEBI approved the proposal to provide flexibility in the framework for LCs for meeting their financing needs from debt market through the following measures:
  - A higher monetary threshold for defining LCs and thus, reducing the number of entities qualifying as LCs
  - Removal of penalty on LCs which are not able to raise a certain percentage of incremental borrowing from the debt market
  - Introduction of incentives and moderated disincentives, etc.
- **Streamlining the framework for credit of unclaimed amounts of investors to the Investor Protection and Education Fund (IPEF) in listed entities other than companies, REITs and InvITs:** In order to streamline the credit of unclaimed amounts of investors to the IPEF and also provide for claim of such amounts, SEBI approved certain amendments to the SEBI (Investor Protection and Education Fund) Regulations, 2009 (IPEF Regulations), LODR Regulations, SEBI (Real Estate Investment Trusts) Regulations, 2014 (REIT Regulations) and SEBI (Infrastructure Investment Trusts) Regulations, 2014 (InvIT Regulations), thereby creating a regulatory framework for segregation of unclaimed amounts of investors in the IPEF. This has been done to facilitate utilisation and processing of such amounts in the prescribed manner by SEBI.
- **Extension of timeline for compliance with enhanced qualification and experience requirements for investment advisers:** SEBI requires individual investment advisers, principal officers of non-individual investment advisers and persons who are with investment advisers and associated with investment advice to comply with certain enhanced qualification and experience requirements by 30 September 2023.

SEBI has now decided to allow an extension up to **30 September 2025,** to comply with these requirements.

(Source: SEBI press release no. PR No.21/2023 dated 21 September 2023)

Revised format of abridged prospectus

Regulation 2(1)(a) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations) defines an 'abridged prospectus' *as "a memorandum accompanying the application form for a public issue, containing such salient features of a prospectus as specified by SEBI"*. Further, in terms of Regulation 32(3) of the NCS Regulations, abridged prospectus should be in the format as specified in Part B of Schedule I of the NCS Regulations.

SEBI, through a circular dated 4 September 2023, revised the format for disclosures in the abridged prospectus. Some of the key takeaways include:

- A copy of the abridged prospectus should be made available on the website of issuer, merchant bankers, registrar to an issuer and a link for downloading the abridged prospectus should be provided in issue advertisement for the public issue.
- The issuer/merchant bankers should insert a Quick Response (QR) code on the last page of the abridged prospectus that leads to the prospectus. Additionally, they should also insert a QR code on the front page of the documents leading to the prospectus or abridged prospectus as applicable.
- The issuer/merchant bankers should ensure that the qualitative statements in the abridged prospectus should be substantiated with quantitative factors.

Effective date: The provisions of the circular would be applicable to all public issues opening on or after 1 October 2023.

(Source: SEBI circular no. SEBI/HO/DDHS/PoD1/CIR/P/2023/150 dated 4 September 2023)

Clarification related to investment in mutual fund schemes in units of CDMDF

In June 2023, SEBI notified a new category of Alternative Investment Funds (AIFs) – Corporate Debt Market Development Fund (CDMDF) through amendments to the SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations). CDMDF refers to an AIF for purchase of investment grade corporate debt securities to promote confidence amongst the participants by creating a permanent institutional framework that can be initiated during times of market stress.

Subsequently, on 27 July 2023, SEBI issued the framework for CDMDF and prescribed the criteria for investment by mutual fund schemes and Asset Management Companies (AMCs) in units of CDMDF.

In this regard, SEBI through its circular dated 6 September 2023, clarified that an investment in units of CDMDF should be excluded from the base of net assets for the calculation of asset allocation limits of mutual fund schemes[1].

Effective date: The provisions of the circular are applicable from 6 September 2023.

(Source: SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/152 dated 6 September 2023)

Board nomination rights to unitholders of REITs and InvITs

Regulation 4(2)(g) and 4(2)(h) of the SEBI REIT Regulations and SEBI InvIT Regulations respectively state that unitholder(s) holding not less than 10 per cent of the total outstanding units of the REIT or InvIT, as the case may be, either individually or collectively, should be entitled to nominate one director on the board of directors of the manager/investment manager.

In this regard, on 11 September 2023, SEBI issued two circulars, thereby specifying the framework to exercise the board nomination rights by the eligible unitholder(s) in case of REITs and InvITs. The circulars provide that the manager/investment manager should**, within 10 days** from the end of each calendar month, review whether the eligible unitholder(s), who have exercised the board nomination right, continue to hold the required number of units and also prepare a report of the same.

Effective date: The provisions of the circulars are applicable from 11 September 2023.

(Source: SEBI circulars no. SEBI/HO/DDHS-PoD-2/P/CIR/2023/153 and SEBI/HO/DDHS-PoD-2/P/CIR/2023/154 dated 11 September 2023)

1. In terms of Part IV of Chapter 2 on 'Categorisation and Rationalisation of Mutual Fund Schemes' of master circular for mutual funds dated 19 May 2023.

Revised norms for classification and valuation of investments by banks

On 12 September 2023, RBI issued the Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 (the 2023 Directions). The revised norms are in line with the significant development in the global financial reporting standards, the linkages with the capital adequacy framework as well as progress in the domestic financial markets.

The 2023 Directions apply to all commercial banks (excluding regional rural banks) and would be effective from **1 April 2024.** Some of the key aspects are discussed in detail below:

a. **Classification of investments:** The investment portfolio of banks would now be classified into three categories – Held To Maturity (HTM), Available For Sale (AFS) and Fair Value through Profit and Loss (FVTPL).

   Further, Held For Trading (HFT) would be a separate investment subcategory within FVTPL. The 2023 Directions have done away with the maximum period within which investments in the HFT category need to be sold. Also, the accounting treatment for investments in subsidiaries, associates and joint ventures has also been revised.

b. **Recognition and measurement:** With regard to recognition and measurement, the 2023 Directions provide that:

   i. At the time of initial recognition, all investments must be measured at **fair value.** As per the existing provisions, investments are initially recognised at acquisition cost

   ii. With regard to subsequent measurement, the 2023 Directions provide that:

   - The securities held under HTM should be carried **at cost** and not be Marked To Market (MTM)
   - The securities held under AFS should be **fair valued at least on a quarterly basis,** if not more frequently
   - Securities that are classified under the HFT sub-category should be **fair valued on a daily basis,** whereas other securities in FVTPL need to be fair valued at least on a quarterly basis, if not more frequently
   - Investments in subsidiaries, associates and joint ventures should be held at **acquisition cost.**

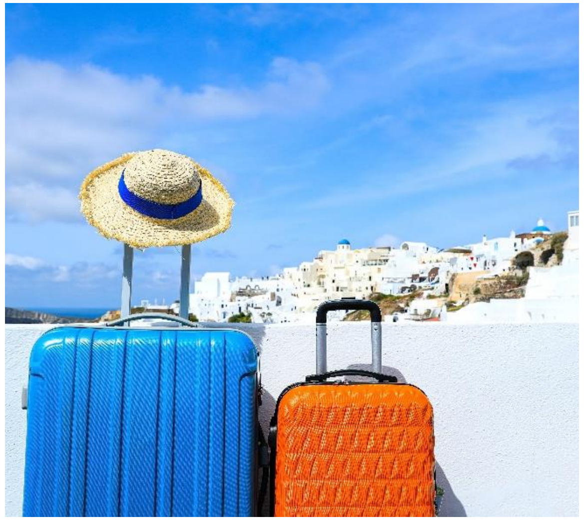
c. **Valuation:** With a view to increase the consistency and comparability in fair value measurements and related disclosures, the 2023 regulations have prescribed that the investment portfolio should be bifurcated into three fair value hierarchies – **Level 1, Level 2 and Level 3.** In this regard, certain disclosures pertaining to fair valuation have also been prescribed

d. **Disclosures:** The 2023 Directions have prescribed certain new disclosures to be made in the financial statements for the year ending **31 March 2025.** Also, the disclosures pertaining to fair value hierarchy need to be made in the financial statements for the year ending **31 March 2026** and onwards

e. **Transition and other important requirements:** After transitioning to the revised regulatory framework, it has been provided that the banks should not reclassify investments between categories (i.e., HTM, AFS and FVTPL) without the approval of the Board of Directors and RBI. At the time of transition, banks would be allowed a **one-time option** to re-classify their investments and adjust the gains/losses arising on such reclassification.

   Also, the need to maintain an Investment Reserve Account (IRA) has been dispensed with. The balance in IRA, if any, as on **31 March 2024,** should be transferred to the revenue/general reserve, provided the bank meets the minimum regulatory requirements of Investment Fluctuation Reserve (IFR). If the bank does not meet the minimum IFR requirements, the balances in IRA should get transferred to IFR.

(Source: RBI notification no. RBI/DOR/2023-24/104 DOR.MRG.36/21.04.141/2023-24 dated 12 September 2023)

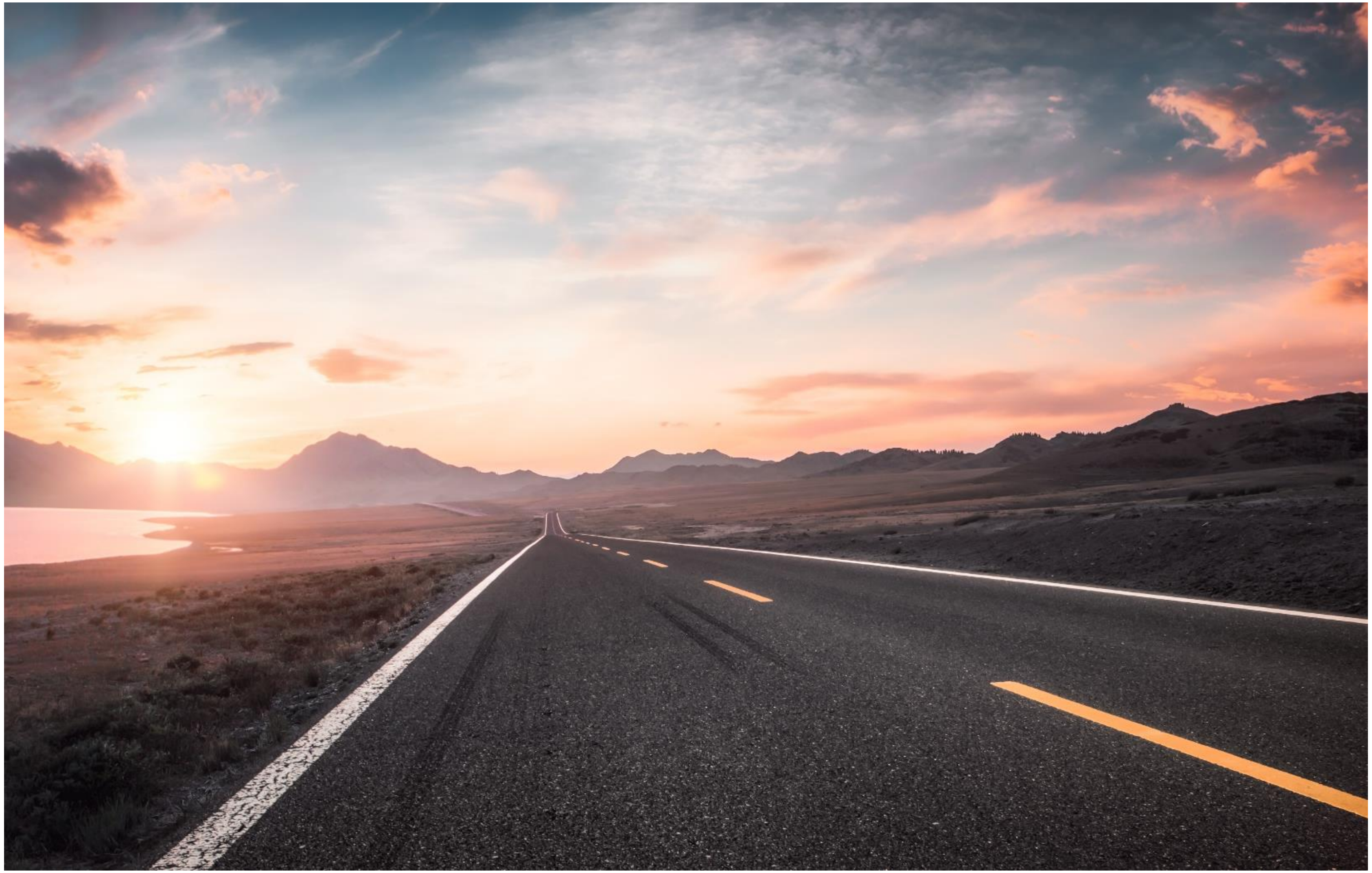


Greater transparency in disclosures

Recently, RBI issued a notification, mandating the Regulated Entities (REs), which are categorised as secured creditors as per the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, to display information in respect of the borrowers whose secured assets have been taken into possession by them.

REs need to upload this information on their website in the prescribed format and the first such list should be displayed on the website within six months from the date of the RBI notification, and the same needs to be updated on a monthly basis.

(Source: RBI notification RBI/2023-24/63 dated 25 September 2023)



Technical guide on audit of NBFCs (2023 version)

On 6 September 2023, the Auditing and Assurance Standards Board (AASB) of the Institute of Chartered Accountants of India (ICAI) issued the revised edition of the technical guide on audit of NBFCs. The technical guide deals with various aspects of the audit of NBFCs such as introduction and overview of NBFCs, key auditing considerations, financial reporting framework, auditing framework, operations of NBFCs, governance etc. Additionally, it also consists of illustrative templates of audit report/certificate, exhaustive audit checklist, relevant RBI notifications and circulars, illustrative disclosure norms for NBFCs, etc.

(Source: ICAI announcement dated 6 September 2023)

Revised guidance note on tax audit (2023 version)

Section 44AB of the Income-tax Act, 1961 requires an assessee to get the accounts of his business/profession audited, if the total sales, turnover or gross receipts exceed the prescribed limits.

On 4 September 2023, ICAI issued the revised guidance note on tax audit. It incorporates the amendments issued up to the Finance Act, 2023 and provides a comprehensive roadmap to navigate the complexities of tax audit in a strategic manner. Further, it emphasises on the importance of maintaining accurate records and significance of a proactive approach in meeting statutory obligations.

(Source: ICAI announcement dated 4 September 2023)

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Feedback/queries can be sent to in-fmcontact-us@bsraffiliates.com

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