

# Corporate & Commercial

Monthly Newsletter  
October 2022

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## SEBI | Framework for social stock exchange for non-profit firms

On September 19, 2022, SEBI came out with a framework for Social Stock Exchanges (SSEs), which can be housed within the existing stock exchanges, thereby enabling the SSEs utilize the existing infrastructure and client relationships of the exchanges to onboard investors, donors, and social enterprises (for-profit and non-profit). The non-profit organizations (NPOs) which are desirous of being listed should be registered as a non-profit entity, and the registration certificate must be valid for the next 12 months.

### Key aspects

- The entities must be registered in India as a 'charitable trust registered under the public trust statute of the relevant state' or under the Societies Registration Act, 1860, or the Indian Trusts Act, 1882, or incorporated as a company under Section 8 of the Companies Act, 2013.
- The NPOs would also be required to declare whether they are owned by the government or held privately, it added, further stating that the age of the organization should be a 'minimum of three years.
- They should have a valid 80G registration under the Income Tax Act, as per the circular. The NPOs' minimum spending in the last fiscal should be INR 50 lakh, and a minimum funding of INR 10 lakh in the past financial year.
- SSE under the guidance of SSE Governing Council (SGC) shall mandate the structure of the draft fund-raising document and final fund-raising document and host such requirements on its website.
- The information which the SSE will be mandated to collect will include the NPO's vision, strategy, details of key management personnel, financial statements for the last three years, and the risks that the NPO sees to its work.

## SEBI | Preferential allotment rules for REITs, InvITs overhauled

SEBI recently overhauled the pricing norms for preferential allotment of units by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).

### Key aspects

- The pricing formula for allotment of units under preferential issue would be the Volume-Weighted Average Price (VWAP) of weekly highs and lows for 90 trading days or 10 trading days, whichever is higher.
- At present, the pricing formula in a preferential allotment is the VWAP of the last two weeks or the last 26 weeks, whichever is higher. The preferential issue of units to 'institutional investors' not exceeding five will have to be made at a price not less than the 10 trading days' VWAP of the related units quoted on a stock exchange preceding the relevant date.
- The preferential issue of units would not be made to any person who has sold or transferred any units of the issuer during the 90 trading days preceding the relevant date. At the present, the limit is six months.
- In case any person belonging to the sponsor has sold or transferred their units of the issuer during the 90 days preceding the relevant date, all sponsors would be ineligible for allotment of units on the preferential basis.
- However, the restriction would not apply to a sponsor, in case any asset is being acquired by the REIT or InvIT from that sponsor, and that the preferential issue of units is being made to that sponsor, as full consideration for the acquisition of such asset.
- SEBI has defined frequently traded units as the units of REIT or InvIT. Those are units in which the traded turnover on a stock exchange during the 240 trading days preceding the relevant date is at least 10% of the total number of issued and outstanding units
- Post allotment, the REIT or InvIT concerned would have to make an application for listing of the units and the same would be listed within two working days from the date of allotment
- In case the REITs or InvIT concerned fail to list the units within the specified time, the money received would be refunded through verifiable means within four working days from the date of the allotment

- Further, if the money is not repaid within the specified time, then the REIT or InvIT, manager of such units, and its director or partner would be jointly liable to repay that money with an annual interest rate of 15 per cent from the expiry of the fourth working day.

## SEBI | Strengthened firewall between CRAs and non-rating entities

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SEBI recently announced several measures aimed at strengthening the firewall between Credit Rating Agencies (CRAs) and their non-rating entities. As per the circular dated September 21, 2022, SEBI has asked the rating agencies to formulate a policy on separation or firewall practices with the non-rating entities and document the same in their internal operational manuals or governing documents. The circular will come into effect on January 1, 2023.

### Key aspects

- The Board of Directors of these CRAs shall verify and revise such policies which may cover nature and extent of sharing of infrastructure, employees, or resources, if any, between the CRA and the non-rating entity, including specification on whether such arrangement is temporary.
- The policy must cover guidance to employees on sharing of information or resources, if any, between the CRA and the non-rating entity to mitigate any potential or actual conflict of interest
- CRA shall disclose on its website, the details of any common director or Chief Executive Officer or Managing Director between the CRA and the non-rating entity.
- Such disclosure shall be updated by the CRA on the first working day of each month.

## SEBI | Modalities for investment advisor application

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SEBI issued the modalities pertaining to investment adviser applications and granted recognition to BSE Administration and Supervision Ltd (**BASL**), a wholly owned subsidiary of BSE, to act as an Investment Adviser Administration and Supervisory Body (**IAASB**) for three years from June 01, 2021. As per the provisions of Regulation 14(2) of SEBI IA Regulations, the administration and supervision of Investment Advisers (IAs) has been delegated to BASL.

### Responsibilities of IAASB

- All the new and existing applicants to approach BASL for registration related activities.
- The administration and supervision of Investment Advisers (IAs) has been delegated to BASL.
- All the new IA applicants as well as existing IAs have been asked to approach BASL for registration and post registration activities related to Investment Advisers.
- Applicants can refer to framework issued by BASL regarding revised process for seeking membership from BASL and registration from SEBI.
- BASL is responsible to supervise IAs, including both onsite and offsite, redress grievances of clients and IAs, take administrative action including issuing warnings and referring to SEBI for enforcement action.
- BASL needs to monitor activities of IAs by obtaining periodical reports, submit such reports to SEBI and maintain a database.

## SEBI | SEBI joins RBI's Account Aggregator framework

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SEBI joined the RBI's Account Aggregator framework (AA Framework) by allowing depositories, asset management companies (AMCs) and mutual fund houses to become financial information providers or FIPs. The Financial Information Providers (FIPs) in the securities market will provide the Financial Information, as specified in Clause 3(ix) of the RBI Master Directions, to the customers and financial information users who furnish the consent artifact through any of the Account Aggregators registered with RBI.

The AA Framework ensures quick data sharing with the consent of the user and eliminates the need for physical documents. AAs are licensed by the RBI to enable the flow of data between FIPs and Financial Information Users (FIUs). The user has to give consent on what data can be shared.

The AA acts as an intermediary and the information comes from FIPs like banks, AMCs, pension funds, etc, and FIUs that consume this data. SEBI joining this framework will give a significant impetus to the

RBI-regulated financial-data sharing system, as it will allow customers to share information for their mutual fund and stock portfolios with financial service providers such as wealth managers, Robo advisors, brokers, and lenders.

## RBI | Large UCBs to set up a Board-approved policy and compliance action

RBI has asked Urban Co-operative Banks (UCBs) with more than INR 10,000 crore deposits (Tier 4 category) to put in place a Board-approved policy and a compliance function, including the appointment of a Chief Compliance Officer (CCO) latest by April 1, 2023. UCBs with more than INR 1,000 crore and up to INR 10,000 crore deposits (Tier 3 category) too have been asked to implement the same, latest by October 1, 2023.

### Key aspects

- The Board/Board Committee will be required to ensure that an appropriate Compliance Policy is put in place and implemented. Further, the Board/Board Committee shall prescribe the periodicity for review of Compliance risk.
- A Board-approved Compliance Policy should clearly spell out the compliance philosophy, expectations on compliance culture, structure and role of the compliance function, the role of CCO, processes for identifying, assessing, monitoring, managing and reporting on Compliance risk. The Policy is to be reviewed at least once a year.
- These Banks will be required need to carry out an annual compliance risk assessment in order to identify and assess major compliance risks faced by them and prepare a plan to manage the risks.
- The CCO, who should be appointed for a minimum fixed tenure of 3 years and will have direct reporting lines to the MD & CEO and/or Board/Board Committee, and Compliance Function will have the authority to communicate with any staff member and have access to all records or files that are necessary to enable her/him to carry out entrusted responsibilities in respect of Compliance issues.
- There shall not be any 'dual hatting,' — the CCO cannot be given any responsibility which brings elements of conflict of interest, especially any role relating to business, per the circular.

## Miscellaneous | Cabinet approves solar PLI worth INR 19,500 crore

The Finance Minister had announced the second phase of the PLI Scheme in manufacturing solar modules in her budget speech on February 1 this year. To support domestic manufacturing of solar panels for meeting the target of 280 GW of installed solar capacity by 2030, INR 19,500 crore for PLI for high-efficiency modules with priority to fully integrated units will be made in 2022-2023. The nodal agency for the second tranche of bidding is Solar Energy Corporation of India. This is part of 'National Program on High Efficiency Solar PV Modules' for achieving manufacturing capacity of giga watt (Gw) scale in high efficiency solar photovoltaic (PV) modules.

The key difference in PLI tranche-I and tranche-II is that the minimum efficiency that was previously permitted has now been increased by one percentage point. The PLI that will now be disbursed will be based on local value addition and efficiency. The government has also set a target of 500GW of installed electricity capacity from non-fossil sources by 2030 would roughly mean a capacity of 280-300GW of solar energy.

### Key aspects

- It is estimated that close to 65 GW of annual manufacturing capacity of fully and partially integrated solar PV modules would be installed through this scheme.
- It will bring direct investment of around INR 94,000 crore.
- It will create manufacturing capacity for allied equipment in the solar manufacturing chain.
- It would induce direct employment for 195,000 people and indirect employment of about 780,000.
- It will help save close to INR 1.4 trillion forex every year due to domestic manufacturing resulting in a huge quantity of export inflow.

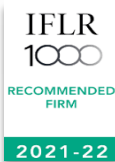
# HSA

## AT A GLANCE

### FULL-SERVICE CAPABILITIES

- |   |  |   |
|---|--|---|
|  <b>BANKING &amp; FINANCE</b>            |  <b>COMPETITION &amp; ANTITRUST</b> |  <b>CORPORATE &amp; COMMERCIAL</b>                   |
|  <b>DEFENCE &amp; AEROSPACE</b>          |  <b>DISPUTE RESOLUTION</b>          |  <b>ENVIRONMENT, HEALTH &amp; SAFETY</b>             |
|  <b>INVESTIGATIONS</b>                   |  <b>LABOR &amp; EMPLOYMENT</b>      |  <b>PROJECTS, ENERGY &amp; INFRASTRUCTURE</b>        |
|  <b>PROJECT FINANCE</b>                |  <b>REAL ESTATE</b>               |  <b>REGULATORY &amp; POLICY</b>                    |
|  <b>RESTRUCTURING &amp; INSOLVENCY</b> |  <b>TAXATION</b>                  |  <b>TECHNOLOGY, MEDIA &amp; TELECOMMUNICATIONS</b> |

### GLOBAL RECOGNITION



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