SEBI proposes a review of regulators related to Independent Directors (IDs)

The proposals made in the SEBI Consultation paper aim to address concerns around efficacy of Independent Directors as a part of corporate governance framework by strengthening the independence of IDs and their effectiveness in protection of the interests of the minority shareholders and other functions.

Proposals include broadening of eligibility criteria of ID, process of appointment/re-appointment, changes in composition of Audit committee to include 2/3 ID and 1/3 Non-Executive Directors who are not related to promoter/nominee directors and modernize rules for their compensation.

IDBI Bank removed from RBI's Prompt Corrective Action Framework (PCAF)

IDBI Bank has been taken out from the PCAF Framework on compliance with PCA parameters and by providing a written commitment to comply with norms of minimum regulatory capital, Net NPA and Leverage ratio. It has also apprised RBI of the adopted structural and systemic improvements to meet these commitments.

Rollout of CKYCR to Legal Entities

With the Central KYC Registry (CKYCR) fully operational for indvidual customers, the same is now being extended to Legal Entities also.

Extension of Cheque Truncation System across all bank branches in the country

The Reserve Bank of India has extended the cheque truncation system (CTS) across all bank branches in the country. Banks have been directed to ensure that all their branches adopt image-based CTS by 30 September 2021.

With this, the RBI aims to relieve the increasing challenges faced by customers of banks with no formal clearing arrangement including delay in clearing, higher transaction costs in collection of cheques.

Standing External Advisory Committee for Evaluating Banking Applications

RBI has set up an external advisory committee to evaluate applications for Universal and Small Finance Banks. The guidelines state that RBI will screen applications to ensure prima facie eligibility before passing it onto the Committee. With a three-year tenure, SEAC will be setting up its own procedures to screen applications and will meet periodically, as required.

FATF High Risk and other monitored jurisdictions

Burkina Faso, Cayman Islands, Morocco, and Senegal have been added to list of Jurisdiction under increased monitoring while Bahamas has been removed from it.

Foreign Direct Investment in Insurance companies raised to 74%

The bill to raise FDI limit in the insurance sector from 49% to 74% has been passed by the Parliament. As per the bill, in addition, majority directors on the board and key management authorities would have to be resident Indians with at least 50 per cent of directors being independent directors and a specified percentage of profits being retained as general reserve.

SEBI amends Unique Client Code (UCC) and PAN Framework

Rationalising the compliance requirement of collecting and storing PAN of clients, SEBI has now allowed the acceptance of e-PAN by members of the exchanges with commodity derivative segment.

Penalty Corner

RBI:

The RBI imposed a penalty of Rs. 2 Crores on **State Bank of India** for contravention of statutory and regulatory requirements with regards to remuneration of employees in the form of commission.

SEBI:

SEBI cancelled the certificate of registration of **Sahara India Financial Corporation** as a sub-broker as it failed to fulfill the "fit and proper person" criteria.

Nomura Singapore Limited, a ODI issuing FPI, paid a sum of Rs. 25.35 Lakhs to settle its case with SEBI pertaining to discrepancies in reporting ODIs in its monthly filings with the regulator in 2019.

Clarification on the valuation of bonds issued under Basel III

SEBI has clarified to Mutual Funds that the deemed residual maturity of Basel III AT-1 bonds (perpetual bonds) , for the purpose of their valuation, will be 10 years until 31 March, 2022. It will further increase along a glide path to 20 and 30 years over the subsequent six-month periods and finally to 100 years from issuance bond from April, 2023

Code of Conduct & Institutional Mechanism - Prevention of Fraud or Market Abuse

Market Infrastructure Institutions have been directed by SEBI to put in place code of conduct and institutional mechanism to prevent fraud or market abuse by them and their designated personnel. MIIs have to ensure regulation, monitoring and report trading activities in compliance with PIT Regulations.

Stay tuned:

- Amendments to the Factoring Act 2011 may be passed by the Parliament shortly. The amendments are likely to expand the scope of institutions that can offer factoring services leading to increased avenues for MSMEs to avail working capital finance.
- Government is planning to introduce the Cryptocurrency and Regulation of Official Digital Currency Bill shortly.