

# Info Capsule

## **GST-KI-MASTER CLASS TO BE HELD ON SIX DAYS COVERING ISSUES RELATING TO REGISTRATION & MIGRATION TRANSITION & INVOICE MAKING, COMPOSITION AND RECORD KEEPING; TO BE TELECAST LIVE ON DD NATIONAL AND OTHER CHANNELS<sup>1</sup>**

Department of Revenue, Government of India and the Central Board of Excise & Customs (CBEC) are organizing GST- Ki -Master Class for six days, as per the following schedule –

S. No.	Topic	Date & Time	
		Hindi	English
1	Registration and Migration	1630 hrs to 1730 hrs on 06/07/2017	1630 hrs to 1730 hrs on 10/07/2017
2	Transition and Invoice Making	1630 hrs to 1730 hrs on 07/07/2017	1630 hrs to 1730 hrs on 11/07/2017
3	Composition and Record Keeping	1100 hrs to 1200 hrs on 08/07/2017	1630 hrs to 1730 hrs on 12/07/2017

The presentation will be made by a team of experts led by the Revenue Secretary, Dr. Hasmukh Adhia.

All the Sessions will be telecast Live on DD National and other channels. It will also be Webcast Live on PIB site i.e. [pib.nic.in](http://pib.nic.in). It would be available for broadcast to all Channels and coverage by all accredited journalists. All officers of CBEC and State Governments, Tax Practitioners, traders and other stakeholders etc. are requested to watch these classes online.

## **POLICY OF ANNUAL INSPECTION OF MEMBERS BY STOCK EXCHANGES/CLEARING CORPORATIONS<sup>2</sup>**

SEBI vide its circular dated June 30, 2017 issued Policy of Annual Inspection of Members by Stock Exchanges/Clearing Corporations. The move is a part of SEBI's efforts to move towards a risk-based model of supervision of all stock brokers.

1. The criteria for selection of members for annual inspection are as follows:

Stock brokers servicing investors, getting disabled on account of funds shortages on more than 3 times in a month shall be inspected irrespective of the fact of when they were last inspected.

<sup>1</sup> Available at: <http://pib.nic.in/newsite/erelease.aspx>

<sup>2</sup> Available at: [http://www.sebi.gov.in/legal/circulars/jul-2017/policy-of-annual-inspection-of-members-by-stock-exchanges-clearing-corporations\\_35222.html](http://www.sebi.gov.in/legal/circulars/jul-2017/policy-of-annual-inspection-of-members-by-stock-exchanges-clearing-corporations_35222.html)

Stock brokers servicing investors, having overnight disablement on account of margin shortage for more than 2 days shall be inspected irrespective of the fact of when they were last inspected.

Top 25 stock brokers paying high and recurring penalties for non-reporting or short reporting of margin/Client Code modification/CTCL mismatch fines or any other similar high risk compliance issue shall be inspected irrespective of when they were last inspected.

Top 25 stock brokers in terms of investor complaints and arbitration cases filed by investors shall be inspected irrespective of the fact of when they were last inspected.

Stock brokers having adverse observations in the internal audit report on high risk issues like wrong reporting of margins, transfer of trades, pledging of client securities, dealing with unregistered intermediaries etc., shall be inspected irrespective of the fact of when they were last inspected.

Subsidiaries of Regional Stock Exchanges shall be inspected every year.

Stock Exchange shall frame internal policy for selection of stock brokers for inspection based on inputs/alerts from Risk Based Supervision.

Besides the above, the special purpose/limited inspections shall be carried out based on any triggers like patterns found during investor complaint resolution/Arbitration, complaints on specific malpractices of a broker or references from various authorities. The inspection shall be irrespective of the fact of when the last inspection was carried out.

Apart from the above few stock brokers shall be selected by the Stock Exchanges on a random basis for inspection.

Stock brokers who do not fall under any of the above category shall be inspected by the Stock Exchanges at least once in three years.

Stock brokers selected on the above category shall be inspected for all segments and also for clearing activity if the stock broker is undertaking clearing for other stock brokers.

Inspections of Professional Clearing Members shall be conducted by Clearing Corporations once in two years.

2. Clearing activity undertaken by stock brokers for other stock brokers shall be inspected by Clearing Corporations. Other activities of stock brokers shall be inspected by Stock Exchanges. If Stock Exchanges and Clearing Corporations so desire, they can conduct joint inspections of stock brokers. Where Clearing Corporation has not been set up, Stock Exchange shall inspect all activities of stock brokers including activity of clearing for other stock brokers.
3. The Stock Exchanges/Clearing Corporations are advised to continuously assess the risks posed by their members and review/revise the policy of annual inspection, as and when required, in consultation with SEBI.
4. The Stock Exchanges shall establish an information sharing mechanism with one another on the important outcome of inspection of members who hold multiple memberships of the exchanges in order to improve the effectiveness of supervision and shall also bring cases of repetitive and / or serious violations to the notice of SEBI.

## ACCEPTANCE OF E-PAN CARD FOR KYC PURPOSE<sup>3</sup>

SEBI vide its circular dated June 30, 2017 said that electronic PAN card issued by Central Board of Direct Taxes (CBDT) to foreign portfolio investors will be accepted for KYC purpose. In April 11, 2017, CBDT has introduced a facility of providing electronic Permanent Account Number (electronic PAN card), which is sent by email to all applicants, including individual.

In a main reform, SEBI in 2014 had released norms that had clubbed different categories of foreign investors into a new class called FPIs. Under the regime, FPIs have been divided into three categories as per their risk profile and the KYC (know your client) requirements, while other registration procedures have been made simpler for them. These norms were issued to streamline various foreign portfolio investment routes and simplify the procedures to attract more foreign funds.

## CLARIFICATION ON MONITORING OF INTEREST/ PRINCIPAL REPAYMENT AND SHARING OF SUCH INFORMATION WITH CREDIT RATING AGENCIES BY DEBENTURE TRUSTEES<sup>4</sup>

SEBI vide its circular dated June 30, 2017 issued Clarification on monitoring of Interest/ Principal repayment and sharing of such information with Credit Rating Agencies by Debenture Trustees.

The following are the clarifications under SEBI (Debenture Trustee) Regulations, 1993:

1. Regulations 15(1)(g) of SEBI (Debenture Trustee) Regulations, 1993 ("DT Regulations") require the Debenture Trustees (DTs) to monitor that the debenture holders have been paid interest/ principal by the issuer companies on or before the due dates of such repayment. Clause 13 of Code of Conduct read with Regulation 16 further provides that the DTs are also required to share information available with them regarding client companies, with registered Credit Rating Agencies (CRAs).

Additionally, the nature of such information to be shared with the CRAs has been clarified which, inter-alia, includes information pertaining to event of any default in payment of interest or redemption amount and non-cooperation by the issuer company with respect to furnishing required information.

2. The DTs shall have adequate systems to ascertain the status of payment of interest/ principal by issuer companies on due dates in timely manner and efficiently share such information with the CRAs in order to comply with the abovementioned provisions, which shall include the following:
  - i) The DTs shall, at least 7 days prior to the due date of interest/ principal payment, seek International Securities Identification Number (ISIN) -wise information from issuer companies under intimation to CRAs advising them to confirm the status of payment of interest/ principal on or before the due date.

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<sup>3</sup> Available at: [http://www.sebi.gov.in/legal/circulars/jun-2017/acceptance-of-e-pan-card-for-kyc-purpose\\_35210.html](http://www.sebi.gov.in/legal/circulars/jun-2017/acceptance-of-e-pan-card-for-kyc-purpose_35210.html)

<sup>4</sup> Available at: [http://www.sebi.gov.in/legal/circulars/jun-2017/clarification-on-monitoring-of-interest-principal-repayment-and-sharing-of-such-information-with-credit-rating-agencies-by-debenture-trustees\\_35219.html](http://www.sebi.gov.in/legal/circulars/jun-2017/clarification-on-monitoring-of-interest-principal-repayment-and-sharing-of-such-information-with-credit-rating-agencies-by-debenture-trustees_35219.html)

- ii) If the issuer company confirms the status of payment or where no information is received from the issuer company on or before the due date, the DTs shall accordingly provide ISIN-wise information to the CRAs latest by one day after such due date which shall state the following:
  - a) Information about payment made on or before the due date or;
  - b) Information about delay/ default in payment or;
  - c) No information forthcoming from the issuer company on the payment status.
- iii) In cases where the CRAs have been informed that no information is forthcoming from the issuer company on the payment status, the DTs shall update the payment status to CRAs as and when any such information is available with the DTs.

Additionally, the DTs shall also ascertain the status of payment by the Issuer Company on the due dates from various sources available at their disposal which, inter alia, include the websites of stock exchange & Issuer Company, debenture holders and quarterly reports submitted by Issuer Companies.

3. Regulation 57(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require the listed entity to submit a certificate to the stock exchange within two days of the interest or principal of the listed debt securities becoming due that it has made timely payment of interests or principal obligations or both in respect of the non-convertible debt securities

Regulation 15(1)(i) of DT Regulations states that DTs shall have duty to exercise due diligence to ensure compliance by the body corporate, with the provisions of the Companies Act, the listing agreement of the stock exchange or the trust deed.

In this regard, it is clarified that the DTs in their communication to the Issuer Companies as mentioned in point no. 2(i) above shall inform them that non-furnishing of information regarding status of payment by due date or non-disclosure of information with respect to timely payment by them on stock exchange website may be considered as suppression of material information and may attract provisions of Section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

4. Clause 19 of Code of Conduct read with Regulation 16 of DTs Regulations provides that the DTs shall not make untrue statement or suppress any material fact in any documents, reports, papers or information furnished to SEBI. DTs shall ensure that adequate disclosures are made to the debenture holders, in a comprehensible and timely manner so as to enable them to make a balanced and informed decision under Clause 15 of Code of Conduct read with Regulation 16.

It is clarified that if no information regarding payment by issuer company is received by the DTs by due date or such information is not disclosed by the issuer company on the stock exchange website, then, the DTs shall make reference to SEBI accordingly and disclose the non-availability of such information on their website.

In case of failure to make such reference to SEBI in this regard and non-disclosure on its website shall be considered as aiding and abetting the issuer company in suppression of material information and may attract provisions of Section 12A of the Securities and Exchange Board of India Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

5. Regulation 15(1) (a) of the DT Regulations requires the DTs to call for periodical reports from the body corporate. In order to make the quarterly reports by the issuer companies available to the DTs on timely basis, it is clarified that the DTs shall call for periodical

status/ performance reports from the issuer company within 7 days of the relevant board meeting or within 45 days of the respective quarter whichever is earlier.

The DTs shall disclose the information to the investors and the general public by issuing a press release regarding default by Issuer Company to pay interest on debentures or redemption amount, failure to create a charge on the assets and revision of rating assigned to the debentures. Further, such information shall also be placed on the website of the DT, the issuer company and the stock exchanges.

It is clarified that such actions shall be taken by the DT promptly and in any case not later than next day of the occurrence of such events.

6. The Stock Exchanges are advised to disclose the information submitted by the DTs immediately on its website on receipt of such information from the DTs.

### ***Team ICSI***

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