

# Info Capsule

## SUBMISSION OF REPORT OF THE COMMITTEE ON CORPORATE GOVERNANCE<sup>1</sup>

SEBI formed a Committee on Corporate Governance in June 2017 under the Chairmanship of Mr. Uday Kotak with a view to enhancing the standards of corporate governance of listed entities in India.

The committee consisted of officials from the government, industry, professional bodies, stock exchanges, academicians, lawyers, proxy advisors, etc.

The committee was requested to submit its report within four months.

The terms of reference of the committee were to make recommendations to SEBI on the following issues:

- Ensuring independence in spirit of Independent Directors and their active participation in functioning of the company;
- Improving safeguards and disclosures pertaining to Related Party Transactions;
- Issues in accounting and auditing practices by listed companies;
- Improving effectiveness of Board Evaluation practices;
- Addressing issues faced by investors on voting and participation in general meetings;
- Disclosure and transparency related issues, if any;
- Any other matter, as the Committee deems fit pertaining to corporate governance in India.

The committee has submitted its report on October 5, 2017.

A copy of the report can be found at the [http://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance-for-public-comments\\_36178.html](http://www.sebi.gov.in/reports/reports/oct-2017/report-of-the-committee-on-corporate-governance-for-public-comments_36178.html)

Comments are sought from the public on the aforesaid report in the following format:

Name of the person/entity				
Sr. No	Recommendation in the report to which the comment pertains	Comment	Rationale for the comment	Revisions to the recommendations, if any (Please provide revisions to amendments as well, if possible)

<sup>1</sup> Available at: [http://www.sebi.gov.in/media/press-releases/oct-2017/submission-of-report-of-the-committee-on-corporate-governance\\_36180.html](http://www.sebi.gov.in/media/press-releases/oct-2017/submission-of-report-of-the-committee-on-corporate-governance_36180.html)

Comments may be sent by email to Shri Pradeep Ramakrishnan, DGM at [pradeepr@sebi.gov.in](mailto:pradeepr@sebi.gov.in) and Ms.Nila Khanolkar, AGM at [nila@sebi.gov.in](mailto:nila@sebi.gov.in) no later than **November 4, 2017.**

## **SECTION 24 AND SECTION 56 OF THE BANKING REGULATION ACT, 1949 – MAINTENANCE OF SLR AND HOLDINGS OF SLR IN HTM CATEGORY<sup>2</sup>**

1. Please refer to our [circulars DBR.No.BP.BC.65/21.04.141/2015-16 dated December 10, 2015](#) and [DBR.No.Ret.BC.71/12.01.001/2016-17 dated June 7, 2017](#) on the captioned subject.
2. As announced in the [Fourth Bi-monthly Monetary Policy Statement, 2017-18 on October 04, 2017](#), it has been decided to reduce the SLR requirement of banks from 20.0 per cent of their Net Demand and Time Liabilities (NDTL) to 19.5 per cent from the fortnight commencing October 14, 2017. A copy of the relative notification DBR.No.Ret.BC.91/12.02.001/2017-18 dated October 4, 2017 is also attached.
3. Currently, the banks are permitted to exceed the limit of 25 per cent of the total investments under HTM category, provided the excess comprises of SLR securities and total SLR securities held under HTM category are not more than 20.5 per cent of NDTL. In order to align this ceiling on the SLR holdings under HTM category with the mandatory SLR, it has been decided to reduce the ceiling from 20.5 per cent to 19.5 per cent in a phased manner, i.e. 20 per cent by December 31, 2017 and 19.5 per cent by March 31, 2018.
4. As per extant instructions, banks may shift investments to/from HTM with the approval of the Board of Directors once a year, and such shifting will normally be allowed at the beginning of the accounting year. In order to enable banks to shift their excess SLR securities from the HTM category to AFS/HFT to comply with instructions as indicated in paragraph 3 above, it has been decided to allow such shifting of the excess securities and direct sale from HTM category. This would be in addition to the shifting permitted at the beginning of the accounting year, i.e., in the month of April. Such transfer to AFS/HFT category as well as sale of securities from HTM category, to the extent required to reduce the SLR securities in HTM category in accordance with the regulatory instructions, would be excluded from the 5 per cent cap prescribed for value of sales and transfers of securities to/from HTM category under paragraph 2.3 (ii) of the Master Circular on Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks.

### **NOTIFICATION**

In exercise of the powers conferred by sub-section (2A) of Section 24 read with Section 51 and Section 56 of the Banking Regulation Act, 1949 (10 of 1949) and in partial modification of the [Notification Ref.DBR.No.BC.73/12.02.001/2016-17 dated June 7, 2017](#), the Reserve Bank hereby specifies that:

With effect from October 14, 2017, every commercial bank, primary (urban) co-operative bank, state co-operative bank and central co-operative bank shall maintain in India assets (referred to as 'SLR assets' in the above Notification) the value of which shall not, at the close of business on any day, be less than 19.5 per cent of their total net demand and time liabilities in India as on the last Friday of the second preceding fortnight, valued in accordance with the method of valuation specified by the Reserve Bank from time to time.

<sup>2</sup> Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11136&Mode=0>

All other instructions contained in the Notification dated June 7, 2017, referred to above, shall continue to apply.

## **IBBI NOTIFIES THE IBBI (INFORMATION UTILITIES) (AMENDMENT) REGULATIONS, 2017<sup>3</sup>**

IBBI had notified the IBBI (Information Utilities) Regulations, 2017 on March 31, 2017. These regulations provided that ordinarily a person should not hold more than 10% of paid up equity share capital or voting power of an information utility, while allowing certain specified persons to hold up to 25%. These further provided that a person may hold up to 51% of paid-up equity share capital or total voting power of an information utility till the expiry of three years from its registration.

IBBI has amended the IBBI (Information Utilities) Regulations, 2017 on September 29, 2017.

According to the amended regulations, a person may, directly or indirectly, either by itself or together with persons acting in concert, hold up to fifty-one percent of the paid-up equity share capital or total voting power of an information utility up to three years from the date of its registration. Further, an Indian company,

- (i) which is listed on a Stock Exchange in India, or
- (ii) where no individual, directly or indirectly, either by himself or together with persons acting in concert, holds more than ten percent of the paid-up equity share capital, may hold up to hundred percent of the paid-up equity share capital or total voting power of an information utility up to three years from the date of its registration. However, these amended provisions are be available in respect of information utilities registered before September 30, 2018.

The amendment requires that more than half of the directors of an information utility shall be Indian nationals and residents in India.

The amendments are effective from September 29, 2017. These could accessed at [http://ibbi.gov.in/Notified IBBI\(IU\) \(Amendment\) Regulations 2017.pdf](http://ibbi.gov.in/Notified%20IBBI(IU)%20(Amendment)%20Regulations%202017.pdf). They are also available at [www.mca.gov.in](http://www.mca.gov.in)

### ***Team ICSI***

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<sup>3</sup> Available at: <http://pib.gov.in/newsite/erelease.aspx>