

Info Capsule

SEBI (SUBSTANTIAL ACQUISITION OF SHARES & TAKEOVERS) REGULATIONS, 2011 ('SAST REGULATIONS')¹

Substantial Acquisition of Shares means an acquirer acquires "**substantial quantity of shares or voting rights**" of the Target Company. Takeover is an "acquirer" takes over the control of the "target company".

Target Company means **a company and includes a body corporate or corporation** established under a Central legislation, State legislation or Provincial legislation for the time being in force, whose shares are listed on a stock exchange.

A letter of offer is a document addressed to the shareholders of the target company containing disclosures of the acquirer/PACs, target company, their financials, justification of the offer price, the offer price, number of shares to be acquired from the public, purpose of acquisition, change in control over the target company, if any, the procedure to be followed by acquirer in accepting the shares tendered by the shareholders and the period within which all the formalities to the offer would be completed. Draft letter of offer means the letter of offer in draft stage.

SEBI has revised format for submitting the draft letter of offer (DLOF) with SEBI in terms of SAST Regulations and certain instructions which should be followed by merchant bankers while filing the Draft letter of offer.

REVIEW OF ADVERTISEMENT GUIDELINES FOR MUTUAL FUNDS²

SEBI has reviewed advertisement guidelines for Mutual Funds with respect to disclosing Performance related information in Mutual Fund advertisements and Celebrity endorsements of Mutual Funds at industry level.

In Performance Advertisements of Mutual Fund Schemes: SEBI has mandated that performance of the Mutual Fund scheme should be advertised in terms of CAGR for the past 1 year, 3 years, 5 years and since commencement. In addition to CAGR of the scheme, point to point returns on standard investment of Rs. 10,000 should be disclose in order to provide ease of understanding to retail investors.

¹ Available at: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1489580439937.pdf

² Available at: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1489580582241.pdf

Such Performance advertisements should provide information which is based on period computed from the last day of month-end preceding the date of advertisement. It should be specifically mentioned whether performance so disclosed, is of regular or direct plan of the Mutual Fund scheme along-with a footnote mentioning that different plans have a different expense structure. If a Mutual Fund scheme has not been managed by the same fund manager for the full period of the information being published in the advertisement, the same should be disclosed in a footnote.

Performance of other schemes managed by the fund manager should be disclosed in a summarized manner, in terms of CAGR for the past of 1 year, 3 years and 5 years along-with the respective scheme's benchmark. Further, for advertisement published in internet-enabled media, Mutual Funds shall be permitted to provide an exact website link to such summarized information on performance of other schemes managed by the concerned fund manager.

In Celebrity endorsements of Mutual Funds at industry level: SEBI has now permitted celebrity endorsements at industry level, to increase awareness. Such celebrity endorsements should not promote a scheme of a particular Mutual Fund or be used as a branding exercise of a Mutual Fund house. Prior approval of SEBI shall be required for issuance of any endorsement which features a celebrity. SEBI has mandated mutual funds to set aside least 2 basis points on daily net assets for investor education and awareness initiatives.

DISCLOSURES RELATING TO REGULATORY ORDERS AND ARBITRATION MATTERS ON WEBSITES OF CLEARING CORPORATIONS³

Clearing corporation means an entity established to undertake the activity of clearing and settlement of trades in securities or other instruments or products that are dealt with or traded on a recognized stock exchange and includes a clearing house.

In order to improve transparency in disclosing the regulatory orders and arbitration matters as issued by Clearing Corporation, it is mandated by SEBI that the clearing corporations shall post all the past regulatory orders as well as arbitration and appellate awards (i.e., issued since June 20, 2012) on their websites within 30 days, while fresh orders should be uploaded immediately.

The Clearing Corporation shall disseminate information with respect to brief profile, qualification, areas of experience / expertise, number of arbitration matters handled, pre-arbitration experience, etc. of the arbitrators on their website and the status of the implementation of the norm in the monthly development report shall be communicate to SEBI.

³ Available at: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1489674038792.pdf

GST LAWS READY FOR PARLIAMENT, STATE ASSEMBLIES⁴

- The goods and services tax (GST) Council on Thursday approved two more laws — state GST (SGST) and Union Territory GST (UT-GST). Earlier, the Council had approved the CGST, IGST and the compensation law.
- The GST Council has approved a 15 per cent ceiling on the cess to be levied on aerated drinks and luxury cars over and above the maximum proposed GST rate of 28 per cent
- The proceeds of this cess will be used to compensate states that may face a reduction in revenue once GST is in force.
- Finance minister Arun Jaitley said the cess would be restricted to five commodities including tobacco, luxury cars, pan masala and aerated drinks.
- While Bidis have been kept out of the GST net, separate cess ceilings have been approved for pan masala and tobacco products, including chewing tobacco and cigarettes – keeping adequate room to raise the effective rate from their existing levels.
- For pan masala, which currently face an effective tax rate of about 135 per cent, the ceiling on cess has been kept at 135 per cent on an ad valorem basis (value of the product).
- For cigarettes, which currently face a specific duty of Rs 4,170 for every 1,000 sticks apart from VAT and other taxes, the ceiling has been kept at 4,170 for every 1,000 sticks and 290 per cent on an ad valorem basis, with the option to levy a combination of both
- While the four laws —CGST, IGST, UGST and compensation law, will require the Cabinet's nod first and a parliamentary approval subsequently, the SGST law will have to be approved by the state Assemblies
- The council in its next meeting on March 31 would approve four sets of rules under the GST laws.
- Finance Minister said that while five sets of rules — relating to registration, payment, refunds, invoices and returns — had already been approved, the Council in its next meeting would discuss and approve the remaining four rules relating to composition, transition, input tax credit and valuation.
- The council will need another major meeting to approve the fitment of different commodities in the four slabs — 5%,12%,18% and 28%
- The commerce ministry had asked for a zero rating of goods supplied to SEZs a proposal which has been approved by the council.

⁴ Available at: <http://www.thehindu.com/business/Industry/gst-laws-ready-for-parliament-state-assemblies/article17483368.ece>

GOVERNMENT TO AMEND EPF SCHEME, 1952 TO ENABLE EPF MEMBERS TO WITHDRAW UPTO 90 PERCENT FUND FOR PURCHASE OF HOUSE⁵

The Government has taken a decision for modification in the Employees' Provident Funds (EPF) Scheme, 1952 to add a new paragraph 68 BD under which a member of Employees' Provident Fund (EPF), being a member of a co-operative society or a housing society having at least 10 members of EPF, can withdraw upto 90 per cent from the Fund for purchase of dwelling house/flat or construction of dwelling house/acquisition of site. Monthly installments for repayments of any outstanding payments or interest may also be paid from the amount standing to the credit of the member, to the Government/housing agency/primary lending agency or banks concerned.

The total number of Employees' Provident Fund (EPF) member accounts as on 31.03.2016, as per Annual Report for 2015-16, is 17.14 crore. On an average, contributions have been received in respect of 3.76 crore members during the year 2015-16. The withdrawal facility from the Provident Fund (PF) account under the Scheme will be available to only those PF members who fulfill the conditions prescribed.

This information was given by Shri Bandaru Dattatreya, the Minister of State (IC) for Labour and Employment, in written reply to a question in Rajya Sabha.

ADMINISTRATIVE EXPENSES UNDER EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952⁶

Central Government, after consulting the Central Board and having regard to the resources of the Employees' Provident Fund available for meeting its normal administrative expenses vide Notification S.O. 827(E) dated the 15th March, 2017 fixes the administrative charges payable by the employer for the purposes of paragraph 30 and sub-paragraph (1) of paragraph 38 of the said Scheme with effect from 1st April, 2017 at 0.65 per cent (zero point six five per cent.) of the pay as referred to in the said paragraphs subject to a minimum sum of seventy-five rupees per month for every non-functional establishment having no contributory member and five hundred rupees per month per establishment for other establishments.

For the removal of doubts, it is hereby notified that nothing contained in this notification shall affect the administrative charges payable in respect of the period up to and inclusive of the 31st March, 2017 in respect of which the notification referred to in paragraph 1 herein shall continue to apply as if the same had not been superseded.

⁵ Available at: <http://pib.nic.in/newsite/ererelease.aspx?relid=0>

⁶ Available at: <http://egazette.nic.in/WriteReadData/2017/174782.pdf>

ADMINISTRATIVE EXPENSES UNDER EMPLOYEES DEPOSIT-LINKED INSURANCE SCHEME, 1976⁷

Central Government vide Notification S.O. 827(E) dated the 15th March, 2017 determines that no sum shall be payable for the time being by the employer in relation to his employees as the further sum payable by the employer every month to the Deposit-Linked Insurance Fund for the meeting the expenses in connection with the administration of the Employees Deposit-Linked Insurance Scheme, 1976 other than the expenses towards the cost of any benefits provided by or under that scheme.

For the removal of doubts, it is hereby notified that nothing contained in this notification shall affect the administrative charges payable in respect of the period upto and inclusive of the 31st March, 2017 in respect of which the notification referred to in paragraph 1 herein shall continue to apply as if the same had not been superseded.

Team ICSI

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⁷ Available at:<http://egazette.nic.in/WriteReadData/2017/174782.pdf>