

# Info Capsule

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THE INSTITUTE OF  
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

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(Under the jurisdiction of Ministry of Corporate Affairs)

**President : CS Ashish Garg**

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## ❖ International Business

### World Bank's IFC adopts new climate rules to deter lenders from backing coal

The World Bank's private-sector arm has introduced new climate change conditions for its investments in commercial banks to encourage the lenders to wind down support for coal projects in Africa and Asia. The International Finance Corporation (IFC), which owns equity stakes in many large commercial banks in emerging markets, hopes the restrictions will trigger other investors to exit the coal sector.

For details:

<https://uk.reuters.com/article/uk-climate-change-coal-idUKKCN26E3H4>

## ❖ Securities Laws and Capital Market

### SEBI CIRCULARS

#### • Guidelines for Investment Advisers (IA) (September 23, 2020)

In addition to the amended IA Regulations dated July 3, 2020, SEBI issued guidelines prescribing that IA shall ensure compliance with the provisions related to Client Level Segregation of Advisory and Distribution Activities, Agreement between IA and the client, Fees, Qualification and certification requirement, Registration as Non Individual Investment Advisor, Maintenance of record, Audit, Risk profiling and suitability for non-individual clients, Display of details on website and in other communication channels as mentioned under this circular.

For details: [https://www.sebi.gov.in/legal/circulars/sep-2020/guidelines-for-investment-advisers\\_47640.html](https://www.sebi.gov.in/legal/circulars/sep-2020/guidelines-for-investment-advisers_47640.html)

#### • Resources for Trustees of Mutual Funds (September 23, 2020)

SEBI, vide its circular dated August 10, 2020 has issued guidelines on resources for Trustees of Mutual Funds. Upon consideration of the subsequent representation received from Association of Mutual Funds in India (AMFI), it has been decided that compliance of the aforesaid Circular shall be applicable from January 01, 2021. All other conditions specified in SEBI circular dated August 10, 2020 shall remain unchanged.

For details: [https://www.sebi.gov.in/legal/circulars/sep-2020/circular-on-resources-for-trustees-of-mutual-funds\\_47630.html](https://www.sebi.gov.in/legal/circulars/sep-2020/circular-on-resources-for-trustees-of-mutual-funds_47630.html)

#### • System-Driven Disclosures (SDD) under SEBI (SAST) Regulations, 2011 (September 23, 2020)

The SEBI circular dated September 09, 2020 under SEBI (PIT) Regulations, 2015 requires that the capture of the PAN of the promoters to be done from the listed company itself, rather than through the RTAs as provided in the SEBI circular dated December 01, 2015 under SAST Regulations. In order to align the practices, it has been decided to use the procedure of capturing the PAN of the promoters from listed companies as mentioned in para 2, 3 & 4 of the Annexure A of the circular dated September 09, 2020 for SAST disclosures too.

For details: [https://www.sebi.gov.in/legal/circulars/sep-2020/system-driven-disclosures-sdd-under-sebi-sast-regulations-2011\\_47632.html](https://www.sebi.gov.in/legal/circulars/sep-2020/system-driven-disclosures-sdd-under-sebi-sast-regulations-2011_47632.html)

### SEBI PRESS RELEASE

#### • Rationalization of Eligibility criteria and Disclosure requirements for Rights Issues (September 23, 2020)

SEBI has decided to amend SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 to rationalise eligibility criteria and disclosure requirements for Rights Issues' with an objective to make the fund raising through this route, easier, faster and cost effective. The amendment inter-alia provided that the mandatory 90% minimum subscription criteria for Rights Issue shall not be applicable to those issuers where object of the issue involves financing other than financing of capital expenditure for a project, provided that the promoters and promoter group of the issuer undertake to subscribe fully to their portion of rights entitlement. The amendments will be effective from the date it is notified in the Gazette.

For details: [https://www.sebi.gov.in/media/press-releases/sep-2020/rationalization-of-eligibility-criteria-and-disclosure-requirements-for-rights-issues\\_47638.html](https://www.sebi.gov.in/media/press-releases/sep-2020/rationalization-of-eligibility-criteria-and-disclosure-requirements-for-rights-issues_47638.html)

### SEBI ADJUDICATION ORDER (September 23, 2020)

#### • SEBI imposed a total penalty of Rs. 9 lakh on Jaisukh Dealers Ltd. and its two promoters for delayed in making required disclosures to the stock exchange under SEBI (Prohibition of Insider Trading) Regulations. They had a legal obligation to make the said disclosures and on failing to comply with the obligation, are liable for penalty as prescribed.

For details: [https://www.sebi.gov.in/enforcement/orders/sep-2020/adjudication-order-in-respect-of-jaisukh-dealers-limited-anita-jajodia-and-sabita-jajodia-in-the-matter-of-jaisukh-dealers-limited\\_47634.html](https://www.sebi.gov.in/enforcement/orders/sep-2020/adjudication-order-in-respect-of-jaisukh-dealers-limited-anita-jajodia-and-sabita-jajodia-in-the-matter-of-jaisukh-dealers-limited_47634.html)

## ❖ Direct Tax

### Income Tax (21<sup>st</sup> Amendment) Rules, 2020 (September 22, 2020)

The Central Board of Direct Taxes vide Notification No. 75/2020 makes the Income-tax (21st Amendment) Rules, 2020 to further amend the Income Tax Rules, 1962 as follows:

**Rule 29B** which specifies the submission of application for certificate authorising receipt of interest and other sums without the deduction of tax has been substituted, stating that the words, “banking company” wherever occurring shall be replaced with “banking company or an insurer.”

**Rule 29B(5)** which specifies the validity of the certificate, an explanation has been inserted, namely: “for the purposes of this rule, “insurer” shall have the same meaning as assigned to it in sub-clause (d) of clause (9) of section 2 of the Insurance Act, 1939”

For details: [https://www.incometaxindia.gov.in/communications/notification/notification\\_75\\_2020.pdf](https://www.incometaxindia.gov.in/communications/notification/notification_75_2020.pdf)

## ❖ Banking and Insurance

### • RBI Working Paper No. 10/2020: Are Food Prices Really Flexible? Evidence from India (September 23, 2020)

The Reserve Bank of India on September 23, 2020 placed on its website a Working Paper titled “Are Food Prices Really Flexible? Evidence from India” under the Reserve Bank of India Working Paper Series. The paper is authored by GV Nadhanael. The paper looks at the price setting behaviour in food sector in India using a novel micro level dataset. The paper reaffirms that contrary to the conventional notion of flexible prices, food prices in India exhibit varying degrees of price stickiness, documenting evidence for heterogeneity in price stickiness being driven by product group characteristics and spatial variation of price stickiness. The paper also shows that the price setting behaviour in food sector broadly matches predictions of sticky price models.

For Details : [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=50401](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50401)

### • India’s banking system to be among the last to heal post pandemic, recovery could be beyond 2023 (September 24, 2020)

With the coronavirus taking a toll on the already stressed lenders, rating agency S&P Global has said that India’s banking sector could be among the last to recover post the pandemic. In a recent report, S&P Global said that it anticipates difficulty in restoring financial strength ratings of financial institutions to pre-crisis levels. “We don’t expect the world’s largest banking sectors, including more than half of G20’s, to recover to pre-COVID-19 levels until 2023, or beyond,” it said. India will be joined by Mexico and South Africa among the banking systems to be the slowest to recover to 2019 levels.

For Details: <https://www.financialexpress.com/industry/banking-finance/indias-banking-system-to-be-among-the-last-to-heal-post-pandemic-recovery-could-be-beyond-2023/2090564/>

### • Health, fire hazard lead growth for insurance companies in August (September 24, 2020)

New premiums for the non-life industry climbed 10% in August to Rs 17,630 crore, latest data from the General Insurance Council showed. While fire premiums grew by 29% in August to Rs 1,180 crore, premiums accrued from health policies rose a quarter to Rs 4,490 crore. However, motor policies, which are typically the largest portfolio for most non-life companies, registered a 2% de-growth to Rs 5,200 crore in August against the same period last year led largely by a 5% de-growth.

For details: <https://economictimes.indiatimes.com/industry/banking/finance/insure/health-fire-hazard-lead-growth-for-insurance-companies-in-august/articleshow/78287320.cms>

## ❖ Market Watch

Capital Market	
S & P BSE Sensex	36553.60 (-1114.82)
Nifty 50	10824.65 (-307.20)

Reference Rate			
INR / 1 USD	INR / 1 EUR	INR / 1 GBP	INR/ 1 JPY
73.43 (+0.01%)	86.17 (-0.53%)	93.81 (-0.68%)	0.70 (-0.27%)

## ❖ Business and Economic News

### • Six-month IBC suspension ends, decision on extension soon (September 24, 2020)

The six-month suspension of insolvency and bankruptcy proceedings against companies comes to an end and government sources have hinted that there could be another extension in the light of the economic stress caused by the pandemic.

For details: [https://www.business-standard.com/article/companies/six-month-ibc-suspension-ends-tomorrow-decision-on-extension-soon-120092301471\\_1.html](https://www.business-standard.com/article/companies/six-month-ibc-suspension-ends-tomorrow-decision-on-extension-soon-120092301471_1.html)

### • Global labour income estimated to have declined by \$3.5 trillion in first 3 quarters of 2020 (September 24, 2020)

Global labour income is estimated to have declined by 10.7 % or \$3.5 trillion in the first three quarters of 2020 due to the Covid-19 pandemic as per the International Labour Organization (ILO).

For details: <https://timesofindia.indiatimes.com/business/international-business/global-labour-income-estimated-to-have-declined-by-3-5-trillion-in-first-3-quarters-of-2020-ilo/articleshow/78287857.cms>

## ❖ Judicial Pronouncement

September 15, 2020	<b>Sandip Kumar Bajaj &amp; Anr. vs. State Bank of India &amp; Anr.</b>	Calcutta High Court
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**The promoter-directors of the Resolution Applicant Company who are also guarantors of the company, not entitled to the immunity-blanket under Section 14 of The Insolvency and Bankruptcy Code, 2016**

### Fact of the Case

The petitioners claim to be the erstwhile promoters/directors of the Company which is presently in a Corporate Insolvency Resolution Process (CIRP) under the relevant provisions of The Insolvency and Bankruptcy Code 2016 (IBC). By virtue of an order dated March 17, 2020 passed by the NCLT, Kolkata Bench, moratorium was declared for the purposes as referred to under Section 14 of the IBC. The order of Moratorium is to remain effective from the date of admission till the completion of the CIRP.

The contention of the petitioner was whether the Company and the petitioners can be subjected to proceedings for identification of Wilful Defaulters under the RBI Master Circular, 2015 in the face of the ongoing CIRP under the IBC, 2016 subsequent to the declaration of Moratorium, which would be contrary to the provisions of the IBC.

### Judgement

The Court held that as it is clear from Section 14(3)(b) of IBC, 2016 which states that the prohibition on institution or continuation of suits and other proceedings against the corporate debtor do not extend to a surety in a contract of guarantee to a corporate debtor, and it is undisputed that both the petitioners are erstwhile guarantors of the Company, namely, the corporate debtor. Hence, it is ruled that the argument that section 29-A or 31 would provide a shield against the operation of section 14(3)(b) and that the petitioners would come under the immunity-blanket of section 14 is contrary to the law governing insolvency resolution process and the RBI guidelines for dealing with wilful defaults of corporate entities. Hence, the promoters-directors of the Resolution Applicant company who are also guarantors of the company would not come under the immunity-blanket of section 14 of IBC.

<https://www.livelaw.in/news-updates/promoter-directors-of-resolution-applicant-who-are-also-guarantors-of-company-not-entitled-to-immunity-blanket-of-ibc-s14-calcutta-hc-163347>

## Prepared by Directorate of Academics

For any suggestions, please write to [academics@icsi.edu](mailto:academics@icsi.edu), or call at 01204082269

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