

ACUITY **LAW**

**CORPORATE  
LAW NEWSLETTER**

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Acuity Law LLP takes pride in rendering incisive legal advice taking into consideration commercial realities. Our areas of practice are divided into three departments. The Corporate practice is led by Souvik Ganguly, the Global Trade and Tax practice is led by Deni Shah and the Disputes practice is led by Gautam Narayan.

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- Private Equity and Venture Funding;
- Employment and labour laws;
- Commercial and trading arrangements; and
- Corporate Advisory

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## INTRODUCTION

This newsletter covers recent key updates in Indian laws relating to banking law, company law, labour law, securities laws, and foreign exchange laws.

In particular, we have covered:

- (1) Banking law: Press Release, notification and consultative paper issued by the Reserve Bank of India (“**RBI**”) on: (a) On-Tap term Liquidity Window for Contact Intensive Sectors, (b) Investment in Payment System Operators from Financial Action Task Force (“**FATF**”) Non-Compliant Jurisdictions, and (c) Regulation of Microfinance in India.
- (2) Companies law: Circulars issued by Ministry of Corporate Affairs (“**MCA**”) – (a) Companies (Meetings of Board and its Powers) Amendment Rules, 2021; (b) Companies (Incorporation) Fourth Amendment Rules, 2021; (c) Companies (Accounting Standards) Rules, 2021; and (e) Circulars issued by MCA relating to relaxations to companies in the light of COVID-19 pandemic with respect to: (i) General circular on passing resolutions on account of Covid-19; (ii) Payment of additional fees for delayed filing of forms with the registrar of companies; and (iii) Time period for filing charge creation / modification forms.
- (3) Labour law: Notification issued by Ministry of Labour and Employment on Draft Code on Social Security (Employee's Compensation) (Central) Rules, 2021.
- (4) Securities law: (a) Orders passed by (i) the Securities and Exchange Board of India (“**SEBI**”) in the matter of insider trading in the script of Infosys Limited, (ii) SEBI and the Securities Appellate Tribunal (“**SAT**”) in the matter of the six debt schemes of Franklin Templeton Asset Management Company, (iii) SEBI and the SAT in the matter of unfair trade practices by the director of the Franklin Templeton Asset Management Company; (b) Introduction of the SEBI (Delisting of Equity Shares) Regulations, 2021; (c) Circular by SEBI on the vesting of employee stock option plans (“**ESOPs**”) and stock appreciation rights (“**SARs**”) on death of an employee; (d) Discussion paper by SEBI on the review of delisting framework pursuant to an open offer; and (e) Approval of amendments in relation to corporate governance framework for listed companies.
- (5) Foreign exchange law: Press Note No. 2 released by the Department for Promotion of Industry and Internal Trade (“**DPIIT**”).

## 1. **BANKING LAW**

Please see below the summary of the key banking law updates for June 2021

### 1.1. **RBI Press Release on On-Tap Term Liquidity Window for Contact Intensive Sectors**

- 1.1.1. The RBI announced on 04 June 2021 that it has decided to open an on-tap liquidity window of INR 150 billion with a tenor up to 3 (Three) years at the repo rate. The scheme will remain operational till 31 March 2022.
- 1.1.2. The scheme is available for contact-intensive sectors which includes hotels and restaurants, tourism and travel, car repair services, rent-a-car service providers, event or conference organisers, spa clinics among others. All banks eligible under the liquidity adjustment facility, which includes banks like regional rural banks, scheduled cooperative banks and urban cooperative banks, can avail the funds to provide lending support in the concerned sector.
- 1.1.3. Banks are expected to create a Covid loan book and as an incentive, such banks will be eligible to keep their surplus liquidity up to the size of the Covid loan book with the RBI under the reverse repo window. The rate in this regard will be 25 bps lower than the repo rate.
- 1.1.4. Please click [here](#) to read the circular.

### 1.2. **RBI Notification on Investment in Payment System Operators from FATF Non-Compliant Jurisdictions**

- 1.2.1. RBI released a notification on 14 June 2021 restricting investment in payment system operators in India from FATF non-compliant jurisdictions.
- 1.2.2. Existing investors from FATF non-compliant jurisdictions may continue with the investment or bring in additional investment to support continuity of business in India. New investors are not permitted to acquire, directly or indirectly, significant influence i.e., more than 20% voting power in payment system operator.
- 1.2.3. Please click [here](#) to read the notification.

### 1.3. **RBI Consultative Document on Regulation of Microfinance.**

- 1.3.1. RBI has released a consultative document on 14 June 2021 wherein a framework on regulation of microfinance institutions in India is suggested. Comments or suggestions on the consultative document are invited till 31 July 2021. The suggested framework shall be applicable to microfinance loans provided by entities regulated by the RBI.
- 1.3.2. The framework suggests a uniform definition of microfinance loans for all regulated entities. As per the framework, microfinance shall mean collateral free loans to households with annual household income of INR 125,000 in rural areas and INR 200,000 in urban and semi-urban areas.
- 1.3.3. It is further suggested that the payment of interest and principal for all outstanding loans of a household, at any point of time shall be capped at 50% of the household income. The framework also proposes alignment of pricing guidelines for non-banking financial companies (“NBFCs”) which are micro financing institutions (“MFIs”) with pricing guidelines for NBFCs. For this purpose, NBFCs which are MFIs shall adopt an interest rate model by considering factors like cost of funds, margin and risk premium and determine the rate of interest to be charged for loans.
- 1.3.4. Other instructions suggested in the framework include (a) all entities regulated by RBI shall have a board approved policy for household income assessment; (b) no penalty on pre-payment of loans; (c) board approved policy for periodicity of repayments and interest rates charged to borrowers.
- 1.3.5. Please click [here](#) to read the consultative document.

## 2. **COMPANIES LAW**

Please see below the summary of the key company law updates for June 2021.

### 2.1. **MCA circular on Companies (Meetings of Board and its Powers) Amendment Rules, 2021**

- 2.1.1. MCA vide its circular dated 15 June 2021 has notified the Companies (Meetings of Board and its Powers) Amendment Rules, 2021. The amendment has been notified to delete Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 which deals with restriction on conducting board meeting through video conferencing/other audio visuals for certain matters. Accordingly, the following matters can now be decided by the board through video conferencing / other audio visual means:
  - a) the approval of annual financial statements;
  - b) the approval of board’s report;
  - c) the approval of the prospectus;
  - d) audit committee approval on consideration of financial statement including consolidated financial statement if any, to be approved by the board; and
  - e) the approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover.
- 2.1.2. Please click [here](#) to read the circular.

### 2.2. **MCA circular on Companies (Incorporation) Fourth Amendment Rules, 2021**

- 2.2.1. MCA vide its circular dated 07 June 2021 has notified the Companies (Incorporation) Fourth Amendment Rules, 2021. The amendment has been made to Rule 38A of the Companies (Incorporation) Rules 2014 which used to deal with application for registration of Goods and Service Tax Identification Number (“GSTIN”), Employee State Insurance Corporation (“ESIC”) registration Employees' Provident Fund organisation (“EPFO”), registration and profession tax registration and opening of bank account through the form AGILE PRO.
- 2.2.2. MCA through its amendment facilitates obtaining shops and establishment registration along with the above-mentioned registration by filing the new form “AGILE PRO S” instead of form AGILE PRO.
- 2.2.3. Please click [here](#) to read the circular.

### 2.3. **MCA circular on Companies (Accounting Standards) Rules, 2021**

- 2.3.1. MCA vide its circular dated 23 June 2021 has notified the Companies (Accounting Standards) Rules, 2021 which shall be applicable to Small and Medium Sized Company (“SMC”).
- 2.3.2. According to the rules, SMC shall mean a company-

- (a) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;
- (b) which is not a bank, financial institution or an insurance company;
- (c) whose turnover (excluding other income) does not exceed two hundred and fifty crore rupees in the immediately preceding accounting year;
- (d) which does not have borrowings (including public deposits) in excess of fifty crore rupees at any time during the immediately preceding accounting year; and
- (e) which is not a holding or subsidiary company of a company which is not a small and medium-sized company

2.3.3. Accordingly, the Accounting Standards 1 to 5, 7 and 9 to 29 as recommended by the Institute of Chartered Accountants of India shall be applicable to a SMC.

2.3.4. Please click [here](#) to read the circular.

## 2.4. **MCA Circulars on Covid – 19 Relaxation:**

### 2.4.1. **General circular on passing resolutions on account of Covid-19**

- (a) MCA has vide its general circular dated 23 June 2021 has allowed companies to conduct extra-ordinary general meetings through video conferencing or other audio visual means or transact items through the postal ballots from June 30, 2021 till December 31, 2021.
- (b) Please click [here](#) to read the circular.

### 2.4.2. **Relaxation of time for filing forms**

- (a) MCA had vide its circular dated 3 May 2021 provided relaxation in the timeline for exemption in paying additional fees with respect to delayed filing of forms with the Registrar of Companies, other than CHG-1, CHG-4 and CHG-9 forms. MCA vide its general circular dated 30 June 2021 has extended this relief for filing forms upto 31 August 2021 for forms to be filed from 1 April 2021 to 31 July 2021.
- (b) Please click [here](#) and here to [read](#) the circular dated 3 May 2021 and 30 June 2021 respectively..

### 2.4.3. **Relaxation of time for filing charge creation / modification forms**

- (a) MCA had vide its circular dated 3 May 2021 provided relaxation in the timeline of registration of charge. MCA vide its general circular dated 30 June 2021 has extended this relief for filing charge.
- (b) The period beginning from 1 April 2021 to 31 July 2021 shall not be counted for calculating the number of days within which forms CHG-1 (creation / modification of charge, other than debentures) and CHG-9 (creation / modification of charge on debentures) are required to be filed. Where the form is filed after 31 July 2021, the applicable fees shall be charged after adding the number of days beginning from 1 August 2021 till the date of filing plus the time-period lapsed from the date of creation till 31 March 2021.
- (c) Where a charge is created / modified on or between 1 April 2021 to 31 July 2021 and the form is filed after 31 May 2021, the applicable fees shall be charged after adding the days starting from 1 August 2021 till the date of filing the form.
- (d) Please click [here](#) and [here](#) to read the circular dated 3 May 2021 and 30 June 2021 respectively.

## 3. **LABOUR LAW**

Please see below the summary of the key labour law update for June 2021.

### 3.1. **Draft Code on Social Security (Employee's Compensation) (Central) Rules, 2021**

- 3.1.1. The Ministry of Labour and Employment vide notification dated 3 June 2021 has issued the draft Code on Social Security (Employee' s Compensation) (Central) Rules, 2021.
- 3.1.2. The draft rules provide for the following:

- (a) The employer shall be liable to pay a simple interest of 12% per annum if the amount of compensation payable under Section 77(3) i.e., compensation to be paid when due and damages for default of the Code on Social Security, 2020 is not paid by the employer within the period of 30 days;
- (b) The money to be transmitted by one competent authority to another shall be transmitted either by remittance receipt or by e-transfer or by net banking or by Demand Draft;
- (c) Any application may be sent to the competent authority by registered post or electronically or may be presented to him or to any of his subordinates authorized by him in this behalf in duplicate in Form-A as provided under the rules; and
- (d) The venue of proceeding for any dispute in this regard would be (i) the place where the accident took place; (ii) the place where the employee or his legal heirs reside and (iii) the employers registered office.

3.1.3. Please click [here](#) to read the notification.

## 4. SECURITIES LAW

### 4.1. SEBI passes an ex-parte interim order in the matter of Insider trading in the scrip of Infosys Limited.

4.1.1. SEBI whole time member passed an interim ex parte order dated 31 May 2021 against the noticees in a matter of insider trading in the scrip of Infosys Limited. The insider trading activities are alleged to have been carried out on the basis of the unpublished financial results of Infosys Limited (“**Infosys**”).

4.1.2. The SEBI member noted that out of the 8 (eight) noticees in the matter, 2 (two) noticees were senior employees in Infosys and were insiders as they were reasonably expected to have access to unpublished price sensitive information (“**UPSI**”). The third noticee was connected to one of the employees through frequent telephonic communications during the investigation period and through directorship of an entity that had financial transactions with the employee. The other noticees were two partnership entities in which the third noticee was a working partner, and the other working partners of the two partnership entities. The insider trading activities are alleged to have been carried out through the partnership entities. By virtue of these connections, the noticees were deemed to be insiders for the purpose of the SEBI (Prohibition of Insider Trading) Regulations, 2015.

4.1.3. The two partnership entities had purchased a significant number of shares before publication of the financial results and subsequently sold them at a higher price after the publication of the UPSI. The SEBI member noted a similar trend of trading around the time of publication of the financial results for the earlier quarters as well.

4.1.4. The SEBI member held that there was prima facie evidence of insider trading and for the purposes of investor protection urgent preventive orders must be passed. Further, as the two employees continue to be employed with Infosys and have access to UPSI, SEBI barred the noticees from accessing the securities market to prevent future instances of such trading. SEBI also impounded the proceeds generated from the prima facie insider trading and placed the same in an escrow account, pending adjudication in the matter.

4.1.5. Please click [here](#) to read the SEBI order.

### 4.2. SEBI and SAT orders in the matter of six debt schemes of Franklin Templeton Asset Management Company for violation of the SEBI (Mutual Fund) Regulations, 1996 and other SEBI circulars.

4.2.1. SEBI had initiated an investigation into the six debt schemes managed by the Franklin Templeton Asset Management Company (“**Franklin Templeton**”) after the winding up of the debt schemes had been announced in April 2020. The investigation had been initiated by SEBI to verify compliance of the schemes with the SEBI (Mutual Funds) Regulations, 1996 and various circulars issued thereunder. The noticee in this matter was the asset management company managing the six debt schemes. SEBI vide its order dated 7 June 2021 held that the six schemes were in violation of the categorization circular issued by SEBI, whereby multiple schemes offered by a mutual fund are required to be clearly distinct from each other in terms of asset allocation, as well as investment strategy. SEBI found that five of the six debt schemes were being run in a similar fashion in terms of their investment strategy and the credit rating of their investments.

4.2.2. SEBI further held that the noticee had also failed to ensure compliance with the regulations related to the principles of fair valuation while valuing the securities subscribed by the debt schemes and failed to inform the market valuation agencies and credit rating agencies of the changes in the terms of the investments made by the mutual fund schemes. SEBI also found that the noticee had failed to take any mitigating steps towards management of various risks such as concentration of investments, downgrades in the investment quality and liquidity issues of the securities in the portfolio of the debt schemes. SEBI also found that the noticee had failed to do appropriate due diligence in relation to the investments being made by it.

- 4.2.3. SEBI held that the noticee had failed to appropriately discharge its conduct as an asset management company and accordingly ordered the disgorgement of all income that was derived out of the management of the funds, which it deemed to be wrongful conduct that resulted in loss to the investors. Accordingly, SEBI ordered disgorgement of all the investment management and advisory fees along with an interest of 12% on the amount from the date of winding up till the date of the order. The amount disgorged is to be used to make repayments to the unitholders of the debt schemes. A further penalty of INR 50 million was ordered for violation of the SEBI (Mutual Fund) Regulations, 1996 and the circulars thereunder. SEBI also prohibited Franklin Templeton from launching any new debt schemes for a period of 2 (two) years from the date of the order.
- 4.2.4. However, SAT vide order dated 28 June 2021, has partially stayed the order passed by SEBI and permitted Franklin Templeton to launch new debt schemes. Further, SAT has ordered that instead of depositing the entire amount as penalty with SEBI, only about half of the investment advisory fees, i.e., INR 2500 million, shall be deposited in an escrow account till the pendency of the appeal before the SAT.
- 4.2.5. Please click [here](#) and [here](#) to read the SEBI and the SAT order respectively.
- 4.3. **SEBI and SAT orders in the matter of unfair trade practices by the director of Franklin Templeton Asset Management Company**
- 4.3.1. SEBI has passed an order dated 7 June 2021 in the matter of unfair trading by the director the Franklin Templeton and his immediate family members in relation to their acts of redemption of the units held by them in the debt schemes that were wound up by Franklin Templeton. SEBI's investigation revealed that the director of Franklin Templeton had had discussions with the manager of the debt schemes and was privy to material non-public information. SEBI held that trades that exploited information advantages such as these would get covered under the general prohibitions contained in Clauses 3 and 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.
- 4.3.2. SEBI held that the director had material non-public information in the nature of the liquidity profiles of the debt schemes and the daily redemptions being carried out in the schemes. SEBI noted that the noticees were aware of the illiquid nature of the bonds in the portfolio and had accordingly redeemed their units, which resulted in the value erosion for the unit holders who remained invested in the debt schemes.
- 4.3.3. The noticees had contended that the redemptions were based on their independent assessment of publicly available information and that thousands of investors had redeemed their investments during the same period. However, SEBI held that persons having access to superior material information should be prevented from exploiting such asymmetric advantages to protect the integrity of the markets.
- 4.3.4. SEBI held that the noticees having made investments in the scheme should not have participated in the discussions leading up to winding of the schemes and ordered that the loss avoided by the noticees should be disgorged and placed in an escrow account to the extent the amounts were still unpaid in relation to the investors who had remained invested in the schemes. Further, a monetary penalty of a total of INR 70 million was imposed on the noticees for the unfair trade practices. The noticees were also barred from accessing the securities market for a period of 1 year.
- 4.3.5. However, the SAT vide order dated 1 July 2021, has stayed the operation of above order passed by SEBI, pending adjudication of the appeal filed by the noticees.
- 4.3.6. Please click [here](#) and [here](#) to read the SEBI and the SAT order respectively.
- 4.4. **Introduction of the SEBI (Delisting of Equity Shares) Regulations, 2021**
- 4.4.1. SEBI has vide a notification dated 10 June 2021, released the SEBI (Delisting of equity shares) Regulations, 2021 ("**Delisting Regulations**"), and repealed the SEBI (Delisting of Equity Shares) Regulations, 2009. SEBI had released two consultations in March 2020 and November 2020, respectively, on proposed amendments to the delisting regulations. The amendments proposed by these consultation papers were subsequently approved by SEBI in its board meeting of 25 March 2021.
- 4.4.2. A few of the key amendments introduced by the Delisting Regulations relate to consolidation of timelines for the delisting process and increasing transparency by way of initial public announcements to be made to the public. After the amendments, the independent directors of the listed entity will be required to submit a report containing the reasoned recommendations on the delisting proposal submitted by any individual.
- 4.4.3. Additionally, the Delisting Regulations also provide for a simplified mechanism for the delisting of a company pursuant to a scheme of arrangement between the listed subsidiary and its listed holding company. Pursuant to the changes, the listed subsidiary would be able to get delisted without following the entire mechanism for delisting.

4.4.4. Please click [here](#) to read the Delisting Regulations.

#### 4.5. **SEBI Circular on vesting of ESOPs and SARs on the death of an employee**

4.5.1. SEBI has released a circular dated 15 June 2021, whereby the provisions related to the minimum vesting period in relation to ESOPs and SARs have been modified. The circular provides that the requirement of a minimum vesting period of 1 (one) year shall not apply in the event of the death of an employee, for any reason, and the ESOPs or the SARs, as the case may be, shall vest in the legal heirs of the deceased employee immediately. As per the SEBI circular, this relaxation will be available to all employees who have died on or after 01 April 2020.

4.5.2. Please click [here](#) to read the SEBI circular.

#### 4.6. **Discussion paper by SEBI on the review of the delisting framework pursuant to the open offer**

4.6.1. SEBI has released a discussion paper on 25 June 2021, proposing amendments to the delisting framework in cases where an open offer is made pursuant to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("**Takeover Regulations**"). SEBI noted that if an acquirer wishes to delist a company pursuant to the open offer, the acquirer would have to deal with laws that were directionally opposite to each other and accordingly, SEBI felt a need to consolidate the provisions of the Takeover Regulations, the Delisting Regulations and the Securities Contracts (Regulations) Rules, 1957 ("**SCR Rules**").

4.6.2. The issue is that as per the Takeover Regulations, a minimum offer to acquire at least 26% of the shares from the public shareholders is to be made if any of the thresholds as provided under the Takeover Regulations are triggered. This may result in an acquirer holding more than 75% shares or even 90% shares in the listed company if the underlying transaction was for acquisition of 49% or 64% shares of the listed company. As per the SCR Rules if the non-public shareholding of a listed company crosses 75%, it must be brought down to at least 75% within a particular period of time. Further, the Delisting Regulations do not permit an acquirer to make a delisting proposal if it is not in compliance with the SCR Rules, i.e., if the non-public shareholding exceeds 75% of the shares in the company. Accordingly, a request to first buy the shares from the public is required to be made as per the Takeover Regulations, following which the shares are to be sold to comply with the SCR Rules. Ultimately, another offer to buy the shares from the public is to be made if the listed company is to successfully delist from the stock exchanges.

4.6.3. Accordingly, SEBI has proposed a new framework whereby delisting of the listed company can be attempted along with the open offer and the acquirer must disclose its choice whether to delist or to remain listed after the open offer in the open offer documents.

4.6.4. If the acquirer chooses to remain listed, the acquirer shall be given an opportunity to proportionately scale down the acquisition under the underlying agreements and the open offer, so that the 75% threshold of non-public shareholding is not crossed, or the acquirer will be required to bring down its shareholding after the open offer is completed, in compliance with the SCR Rules.

4.6.5. If the acquirer proposes to delist, two different prices must be indicated by the acquirer, i.e., a takeover price and a delisting price. The takeover price would be calculated as per the provisions of the Takeover Regulations, whereas the delisting price would be a price higher than the takeover price, at which the acquirer would be willing to acquire shares so as to meet the delisting threshold of 90% of the shares of the listed company.

4.6.6. If the public shareholders tender their shares so that the 90% delisting threshold is met, then the shares will have to be acquired by the acquirer at the delisting price, whereas if the 90% threshold is not met, the acquirer will have to acquire the shares at the takeover price.

4.6.7. In respect of the shareholder approvals and approvals from the stock exchanges, the paper proposes that such approvals may be obtained at any time after the public announcements are made and before the tendering period for the shares start.

4.6.8. Please click [here](#) to read the SEBI discussion paper.

#### 4.7. **Amendments to corporate governance framework for listed companies approved at SEBI board meeting**

4.7.1. SEBI had in March 2021, released a consultation paper on the review of the framework surrounding independent directors in listed companies. SEBI at its board meeting dated 29 June 2021 has partly approved the changes proposed by the consultation paper. These changes are yet to be incorporated into the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**"). The amendments to the LODR Regulations will be brought this year and the proposed changes will be effective from 01 January 2022.



- 4.7.2. The process of appointment of independent directors on the boards of listed companies has been modified, and now a special resolution must be passed at a shareholders' meeting instead of the current requirement of an ordinary resolution. The consultation paper in March had proposed a dual system of shareholder approval but the same seems to have been rejected. A special resolution must also be obtained for the removal of an independent director.
- 4.7.3. The role of the nomination and remuneration committee ("**NRC**") in appointment has been elaborated and the process of shortlisting of independent directors by the NRC shall now include a system of evaluation of the skills, knowledge and experience of the independent director as well as creating a balance amongst the existing directors on the board of the listed company.
- 4.7.4. Further, the composition of the audit committee and the NRC of every listed company shall also be modified so that at least two thirds of its members are independent directors.
- 4.7.5. Changes have also been approved in relation to the resignation of independent directors. Any independent director who resigns from the board of a company shall not be eligible to join the board of the same company or a holding, subsidiary or associate company for a period of 1 (one) year as a whole time director.
- 4.7.6. Further, the requirement of obtaining directors' and officers' insurance has been extended from the top 500 listed companies to the top 1000 listed companies determined on the basis of market capitalisation.
- 4.7.7. The above mentioned proposed changes is one of the matters discussed at SEBI's board meeting held on 29 June 2021. Please click [here](#) to read the minutes of the board meeting.

## 5. **FOREIGN EXCHANGE LAWS**

### 5.1. **Press Note No. 2 of the DPIIT on foreign investment in the insurance sector**

- 5.1.1. DPIIT has released press note 2 of 2021 on 14 June, amending the consolidated foreign direct investment ("**FDI**") policy of India. The press note has made amendments in relation to FDI in the insurance sector. The RBI notification in relation to the proposed amendments is yet to be released and the amendments shall be effective as of the date of the RBI notification.
- 5.1.2. The Insurance Act, 1938 had been amended with effect from 01 April 2021, and the Indian Insurance Companies (Foreign Investment) Rules, 2015 had been amended with effect from 19 May 2021 to give effect to the amendments proposed in the union budget of this year.
- 5.1.3. The press note provides for the increase in FDI in the insurance sector under the automatic route from 49% to 74%. The 74% threshold for foreign investment shall include foreign portfolio investors as well. The press note further lays down that the foreign investment received shall be subject to approval or verification by the Insurance Regulatory and Development Authority of India ("**IRDAI**") and shall also be subject to compliance with all other provisions of the Insurance Act, 1938 and the Indian Insurance Companies (Foreign Investment) Rules, 2015. The press note also clarifies that any increase in foreign investment shall be in accordance with the pricing guidelines specified under the FEMA regulations.
- 5.1.4. Please click [here](#) to read the press note.

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