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COVID 19: RELAXATIONS FOR COMPANIES

1. INTRODUCTION

On account of COVID – 19 being declared a worldwide pandemic by the World Health Organization, several countries have taken a slew of drastic measures to combat the spread of the virus. The alarming rise in the number of cases in India actioned the Central Government into implementing a nationwide lock-down. Further, taking cognizance of the disruptions in operations, logistics as well the workforce caused by the lock-down, the Ministry of Corporate Affairs, Government of India (“MCA”), the market regulatory – Securities and Exchange Board of India (“SEBI”) and the central bank – Reserve Bank of India (“RBI”) announced several relaxations in regulatory and statutory compliances that have to be undertaken by the companies to enable them to tide over this period of disruption caused by COVID-19. In this article, we have discussed the various relaxations permitted to companies for business continuity during this period by the MCA, SEBI and RBI.

2. RELAXATIONS

A. MINISTRY OF CORPORATE AFFAIRS

1. Relaxation of requirements under Section 173 of the Companies Act, 2013 and Rule 4 of the Companies (Meeting of Board and its Powers) Rules, 2014

Section 173 of the Companies Act, 2013 mandates that a minimum of 4 board meetings have to be held in a year with a gap of not more than 120 days between any two meetings. Such meetings may be attended by the directors either in person or through video conferencing or other audio visual means which are capable of recording and recognising the participation of the directors and recording and storing the proceedings of such meetings along with date and time.

However, there are certain matters which cannot be dealt with in any meeting held through video conferencing. Rule 4 of the the Companies (Meeting of Board and its Powers) Rules, 2014 provides that the following matters cannot be dealt with in any meeting held through video conferencing or other audio visual means:

- Approval of the annual financial statements;
- Approval of the Board’s report;
- Approval of Prospectus;
- Audit Committee Meetings for consideration of financial statement including consolidated financial statement if any, to be approved by the board under section 134(1) of the Act;
- Approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover etc.

The MCA *vide* notification dated March 19, 2020, amended the above rule such that from the commencement of the Companies (Meetings of Board and its Powers) Amendment Rules, 2020 till June 30, 2020, the meetings on matters referred to above, may be held through video conferencing or other audio visual means in accordance with rule 3 of the Companies (Meeting of Board and its Powers) Rules, 2014.

Further, MCA has provided a one-time relaxation, allowing an additional 60 day gap in between two board meetings till September 30, 2020, such that the maximum gap between two consecutive meetings of the board shall stand extended from 120 days to 180 days.¹

2. Exemption from the requirement of Independent Director Meeting

The Companies Act, 2013 mandates that the independent directors of a company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management.² However, MCA *vide* a general circular has provided that in case the independent director is unable to hold such a meeting, it shall not be viewed as a violation.

3. Extension of deadline for depositing the amount in the Deposit Repayment Reserve Account

Section 73(2)(c) of the Companies Act, 2013 read with rule 13 of the Companies (Acceptance of Deposits) Rules, 2014 provides that the company shall deposit an amount equivalent to not less than 20% of the deposits maturing during the following financial year and kept in a scheduled bank in a separate bank account called the deposit repayment reserve account on or before April 30 of each year. The due date for creating this reserve for the financial year 2020-21 has been extended to June 30, 2020.³

4. Inclusion of spending funds on tackling COVID-19 as a CSR activity

Section 135 of the Companies Act, 2013 mandates that every company with a net worth of Rupees 500 Crore or more, or turnover of Rupees 1000 crore or more or a net profit of Rupees 5 crore or more during the immediately preceding financial year shall spend at least 2% of the average profits of the company made during the 3 immediately preceding financial years to undertake activities as provided in the corporate social responsibility policy of the company which includes activities as specified in Schedule VII of the Companies Act, 2013.

The MCA *vide* General Circular no. 10/2020 dated March 23, 2020⁴ has clarified that any activity related to COVID-19 relating to the promotion of health care, including preventive health care, sanitation and disaster management shall constitute as CSR activity.

¹ MCA General Circular no. 11/2020 dated March 24, 2020 on “Special Measures under the Companies Act, 2013 and Limited Liability Partnership Act, 2008 in view of the COVID-19 outbreak”.

² Para VII, Schedule IV, Companies Act, 2013.

³ MCA General Circular no. 11/2020 dated March 24, 2020 on “Special Measures under the Companies

Act, 2013 and Limited Liability Partnership Act, 2008 in view of the COVID-19 outbreak”.

⁴ MCA General Circular no. 10/2020 dated March 23, 2020 on “Clarification on spending of CSR funds for COVID-19”.

Further, the MCA *vide* an office memorandum dated March 28, 2020⁵ has clarified that any contribution made by the company to the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) shall qualify as an admissible expenditure towards fulfilling their CSR obligations under Section 135 of the Companies Act, 2013.

5. Deferment of applicability of the Companies (Auditor's Report) Order, 2020

The Companies (Auditor's Report) Order, 2020 shall now be made applicable from the financial year 2020-2021 instead of being applicable from the financial year 2019-2020 to ease the burden on companies and their auditors.⁶

6. Extension of deadline to invest or deposit at least 15% of the debentures maturing during the year

Rule 18 of the Companies (Share Capital and Debenture) Rules, 2014 provides that the company shall invest or deposit on or before April 30, a sum which shall not be less than 15% of the amount of its debentures maturing during the year, ending on March 31. The due date for investing or depositing such amounts before April 30, 2020 has been extended to June 30, 2020.⁷

7. Extension from filing a declaration for commencement of business

Section 10A of the Companies Act, 2013 provides that a company incorporated on or after November 2, 2018, having a share capital shall not commence any business or exercise any borrowing powers unless a declaration is filed by a director within a period of 180 days of the date of incorporation of the company. The MCA has provided an additional 180 days to file the declaration.⁸

8. Exemption from Minimum Residency Requirements

Section 149 of the Companies Act, 2013 provides that every company shall have at least one director who stays in India for a total period of not less than 182 days during the financial year. MCA *vide* its circular dated March 24, 2020 has done away with the minimum residency requirement for the financial year 2019-20.

9. Introduction of the Companies Fresh Start Scheme, 2020 ("Company Scheme") and modification of the LLP Settlement Scheme, 2020 ("LLP Scheme")

The MCA *vide* General Circular no. 13/2020⁹ and General Circular no. 12/2020¹⁰ passed the LLP Settlement Scheme and Companies Fresh Start Scheme, 2020 allowing waiver of late fees for any delay in filing of any e-forms with the Registrar of Companies between April 1, 2020 and September 30, 2020. The Schemes, apart from giving longer timelines for companies and LLPs to comply with

⁵ MCA Office Memorandum no. CSR-05/1/2020-CSR-MCA dated March 28, 2020 on "Clarification on contribution to PM CARES Fund as eligible CSR activity under item no. (viii) of the Schedule VII of Companies Act, 2013".

⁶ MCA Order S.O. 1219(E) dated March 24, 2020.

⁷ MCA General Circular no. 11/2020 dated March 24, 2020 on "Special Measures under the Companies Act, 2013 and Limited Liability Partnership Act, 2008 in view of the COVID-19 outbreak".

⁸ MCA General Circular no. 11/2020 dated March 24, 2020 on "Special Measures under the Companies Act, 2013 and Limited Liability Partnership Act, 2008 in view of the COVID-19 outbreak".

⁹ MCA General Circular no. 13/2020 dated March 30, 2020 on "LLP Settlement Scheme, 2020-Modification-reg".

¹⁰ MCA General Circular no. 12/2020 dated March 30, 2020 on "Companies Fresh Start Scheme, 2020".

various filing requirements under the Companies Act 2013 and LLP Act, 2008 respectively, significantly reduce the related financial burden on them, especially for those with long standing defaults. Both the Schemes also contain provisions for giving immunity from penal proceedings, including against imposition of penalties for late submissions and also provide additional time for filing appeals before the concerned Regional Directors against the imposition of penalties, if already imposed.

10. Raising the minimum default limit under the Insolvency and Bankruptcy Code, 2016

The MCA *vide* its notification dated March 24, 2020 has raised the limit of minimum amount of default from Rs 1 Lakh to Rs 1 Crore.¹¹

11. Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Third Amendment) Regulations, 2020

The period of lockdown imposed by the Central Government in the wake of COVID-19 shall not be counted while calculating the timelines for an activity in relation to the corporate insolvency resolution process.¹²

12. Possible Suspension of provisions of the Insolvency and Bankruptcy Code, 2016

The Finance Ministry announced on March 24, 2020 that the Government of India may consider suspending Section 7, 8 and 9 of the Insolvency and Bankruptcy Code, 2016 which relates to the initiation of Corporate Insolvency Proceedings by financial

creditors, operational creditor and corporate applicants. Such relaxation has not yet been implemented.

The relaxations set out under sub-paragraphs 10, 11 and 12 of paragraph A above comes as a relief to debt stricken companies who may have otherwise gone into insolvency. However, given the disruption in operations brought about due to this lock-down, it is likely that the situation of debt-ridden companies would only worsen during this period. Further, it is also likely that more companies may fall within the ambit of “defaulters” on account of disruptions in business. Hence, when the relaxations are removed, it is likely that India may witness an influx of cases against potentially insolvent companies.

B. STAMP DUTY

1. The Ministry of Finance *vide* notification dated March 30, 2020 has postponed the effective date of enforcement of the Indian Stamp (Collection of Stamp-Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 from April 1, 2020 to July 1, 2020.¹³

C. SECURITIES AND EXCHANGE BOARD OF INDIA

1. Relaxation from compliances with provisions under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”): SEBI circulars dated March 19,

¹¹ MCA Notification S.O. 1205(E) dated March 24, 2020.

¹² MCA Notification No. IBBI/2019-20/GN/REG059 dated March 29, 2020.

¹³ Ministry of Finance Notification G.S.R. 226(E) dated March 30, 2020.

2020¹⁴, March 23, 2020¹⁵ and March 26, 2020¹⁶

S.No.	Regulation	Relaxation
a.	Regulation 7(3) of LODR provides that listed entities shall submit a compliance certificate on share transfer facility to the stock exchange within 1 month of the end of each half of the financial year.	The due date has been extended from April 30, 2020 to May 31, 2020.
b.	Regulation 13(3) of LODR provides that the listed entities shall file with the stock exchange on a quarterly basis, within 21 days from the end of each quarter, a statement giving the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter.	The due date has been extended from April 21, 2020 to May 15, 2020.
c.	Regulation 17(2) of the LODR provides that the board of directors shall meet at least 4 times a year, with a maximum time gap of 120 between any two meetings. Regulation 18(2)(a) of the LODR provides that the audit committee shall meet at least 4 times in a year and not more than 120 days shall elapse between two meetings.	The board of directors and the audit committee of the listed entity are exempted from observing the maximum stipulated time gap between two meetings for the meetings held or proposed to be held between the period December 1, 2019 and June 30, 2020. However the board of directors/ audit committee shall ensure that they meet atleast four times a year, as

¹⁴SEBI Circular no. SEBI/HO/CD/CMD1/CIR/P/2020/38 dated March 19, 2020 on “Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 due to the COVID -19 virus pandemic”.

¹⁵SEBI Circular no. SEBI/HO/DDHS/ON/P/2020/41 dated March 23, 2020 on “Relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

and SEBI circulars due to the COVID -19 virus pandemic”.

¹⁶SEBI Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/48 dated March 26, 2020 on “ Further relaxations from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) and the SEBI circular dated January 22, 2020 relating to Standard Operating Procedure due to the COVID -19 virus pandemic”.

		stipulated under regulations 17(2) and 18(2)(a) of the LODR.
d.	<p>Regulation 19(3A) of the LODR provides that the nomination and remuneration committee shall meet at least once in a year.</p> <p>Regulation 20(3A) of the LODR provides that the stakeholder relationship committee shall meet at least once in a year.</p> <p>Regulation 21(3A) of the LODR provides that the risk management committee shall meet at least once in a year.</p>	The due date for the same has been extended to June 30, 2020 from March 31, 2020.
e.	Regulation 24A of the LODR read with circular No CIR/CFD/CMD1/27/2019 dated February 8, 2019 provides that every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice within 60 days from the end of the financial year.	The due date for the submission for the secretarial audit report has been extended to June 30, 2020 from May 30, 2020.
f.	Regulation 27(2) of the LODR provides that the listed entity shall submit a quarterly compliance report on corporate governance to the recognised stock exchange within 15 days from close of the quarter.	The due date of submitting the quarterly compliance report has been extended to May 15, 2020 from April 15, 2020.
g.	Regulation 31 of the LODR provides that listed entity shall submit to the stock exchange a statement showing holding of securities and shareholding pattern separately for each class of securities on a half-yearly basis within 21 days from the end of each half year.	The due date of submitting the statement has been extended to May 15, 2020 from April 21, 2020.

h.	<p>Regulation 33 of the LODR provides that the listed entity shall submit the financial results in the following manner:</p> <p>The listed entity shall submit quarterly and year-to-date standalone financial results to the stock exchange within 45 days of end of each quarter, other than the last quarter.</p> <p>In case the listed entity has subsidiaries, in addition to the requirement mentioned above, the listed entity also submit quarterly/year-to-date consolidated financial results.</p>	<p>The due date of submission of the quarterly report has been extended to June 30, 2020 from May 15, 2020.</p> <p>The due date of submission of the annual report has been extended to June 30, 2020 from May 30, 2020.</p>
i.	<p>SEBI <i>vide</i> its circulars CIR/IMD/DF/18/2013 dated October 29, 2013, SEBI/HO/DDHS/CIR/P/2019/115 dated October 22, 2019 and SEBI/HO/DDHS/CIR/P/2019/167 dated December 24, 2019, provides that companies proposing to make the public issue of NCDs/NCRPS/CPs are required to submit the audited financials in the offer document, which are not older than 6 months from the date of the prospectus.</p>	<p>The proposed date issuance of NCDs/NCRPs/CPs has been extended from on or before March 31, 2020 to May 31, 2020.</p> <p>The companies are also permitted to submit audited financial statements as on September 30, 2019.</p>
j.	<p>SEBI <i>vide</i> Circular HO/DDHS/CIR/P/2018/144 dated November 26, 2018 provides that Large Corporates shall make the following disclosures to the stock exchange</p> <p>Within 30 days from the beginning of the financial year, disclose the fact that they are identified as a Large Corporates.</p> <p>Within 45 days of the end of the financial year, the details of the incremental borrowings done during the financial year.</p>	<p>The due date for initial disclosures has been extended to June 30, 2020 from April 30, 2020.</p> <p>The due date for annual disclosures has been extended to June 30, 2020 from May 30, 2020.</p>
k.	<p>Regulation 40(9) of the LODR provides that the listing entity shall ensure that the share transfer agent and/or the in-house</p>	<p>The due date for submission of the certificate has been extended to May 31, 2020 from April 30, 2020.</p>

	share transfer facility, as the case may be, produce a certificate from a practicing company secretary within 1 month of the end of each half of the financial year, certifying that all certificates have been issued within 30 days of the date of lodgement for transfer, sub-division, consolidation, renewal, exchange or endorsement of calls/allotment monies.	
l.	Regulation 44(5) of the LODR provides that the top 100 listed entities by market capitalization, determined as on March 31st of every financial year, shall hold their annual general meetings within a period of five months from the date of closing of the financial year.	The due date has been extended to September 30, 2020 from August 31, 2020.
m.	Regulation 47 of the LODR requires publishing, in the newspapers, information such as notice of the board meeting, financial results etc.	The requirement has been exempted for all events scheduled till May 15, 2020.
n.	Regulation 52 of the LODR provides that the listed entity which has issued listed NCDs, NCRPS and CPs shall prepare and submit unaudited or audited financial results on a half-yearly basis within 45 days from the end of the half-year to the recognised stock exchange.	The due date for half-yearly submission has been extended to June 30, 2020 from May 15, 2020.
	If the listed entity intimates in advance to the stock exchange that it shall submit to the stock exchange its annual audited results within 60 days from the end of the financial year, un-audited financial results for the last half-year accompanied by limited review report by the auditors need not be submitted to stock exchange.	The due date for yearly submission has been extended to June 30, 2020 from May 30, 2020
o.	The Securities and Exchange Board of India (Issue and Listing of Municipal Debt Securities) Regulations, 2015 (“ILDM Regulations”), SEBI circular nos. CIR/IMD/DF1/ 60 /2017 dated June 19,	

	2017 and SEBI/HO/DDHS/CIR/P/134/2019 dated November 13, 2019 provides that:	
	Regulation 23 and Schedule V of the ILDM Regulations provides that issuers shall submit half yearly return on investors grievances and redressal within 30 working days from end of half-year.	The due date for filing has been extended to June 30, 2020
	Regulation 23 and Schedule V of the ILDM Regulations provides that issuers shall file its audited financial results with the stock exchange within 60 days from the end of the financial year for annual financial results.	The due date for filing has been extended to June 30,2020 from May 30,2020.
	The listed entities shall within 45 days from the end of the quarter, disclose the balances in the accounts that have to be maintained as per the ILDM Regulations.	The due date for filing has been extended to June 30, 2020 from May 15, 2020
p.	SEBI <i>vide</i> circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020 lays down imposition of fines and other enforcement actions for non-compliances with provisions of the LODR.	The effective date of this circular has been extended and will now come in to force on compliance periods ending on or after 30 June 2020, which was, March 31 2020 prior to the amended.

1. Relaxation in regulatory filings for REITs and InvITs

SEBI *vide* its circular dated March 23, 2020¹⁷ has extended the due date for all regulatory filings and compliances for the period ending March 31, 2020 by 1 month over and above the timelines prescribed under SEBI (Real estate Investment Trusts) Regulations, 2014 and SEBI (Infrastructure Investment Trusts) Regulations, 2014.

2. Extension of deadline to implement circular on stewardship code

SEBI *vide* circular no. CIR/CFD/CMD1/168/2019 dated December 24, 2019 introduced a Stewardship Code for all Mutual Funds and all categories of AIFs, in relation to their investment in listed equities. The Code which was supposed to come into effect from April

¹⁷SEBI Circular no. SEBI/HO/DDHS/CIR/P/2020/42 dated March

23, 2020 on “Relaxation from compliance to REITs and InvITs due to the COVID -19 virus pandemic”.

1, 2020 shall now be implemented on July 1, 2020.¹⁸

3. Relaxation in compliance with requirements pertaining to Mutual Funds¹⁹

S.No.	Regulation	Relaxation
a.	Regulation 59 of the SEBI (Mutual Fund) Regulations, 1996 provides that a mutual fund and asset management company shall within 1 month from the close of each half-year, i.e. on March 31 and on September 30, host a soft copy of its unaudited financial results on their website.	The due date for filing the half yearly unaudited financial results has been extended from April 30, 2020 to May 31, 2020.
b.	SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2016/42 dated March 18, 2016 provides that the commissions to be paid to distributors are required to be disclosed on half-yearly basis within 10 days from the close of half year.	The due date for disclosures has been extended to May 10, 2020 from April 10, 2020.
c.	SEBI Circular No. Cir / IMD / DF / 2 / 2010 dated May 13, 2010 provides that the annual disclosure of investor complaints with respect to mutual funds are required to be disclosed within 2 months of the close of the financial year.	The due date for disclosure of the investor complaints has been extended from May 31, 2020 to June 30, 2020.
d.	Risk management framework for liquid and overnight funds and norms governing investment in short term deposits dated Sept. 20, 2019	The effective date of implementation has been extended to May 1, 2020 from April 1, 2020.
e.	Review of investment norms for mutual funds for investment in debt and money market instruments dated October 1, 2019.	The effective date of implementation has been extended to May 1, 2020 from April 1, 2020.
f.	Valuation of money market and debt securities dated September 24, 2019	The effective date of implementation has been extended to May 1, 2020 from April 1, 2020.

¹⁸SEBI Circular no. SEBI/HO/CFD/CMD1/CIR/P/2020/55 dated March 30, 2020 on “Extension of deadline for implementation of the circular on Stewardship Code for all Mutual Funds and all categories of AIFs due to the COVID-19 pandemic”.

¹⁹SEBI Circular no. SEBI/HO/IMD/DF3/CIR/P/20 dated March 23, 2020 on “Relaxation in compliance with requirements pertaining to Mutual Funds”.

g.	All mutual fund schemes where the observation letter was issued by SEBI and are yet to be launched shall have a validity period of 1 year from the date of the SEBI letter and all new mutual fund schemes where the final observation letter will be issued by SEBI shall have a validity period of 1 year from the date of the SEBI letter.
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4. Relaxation from compliance with certain provisions of the SAST Regulations, 2011²⁰

Regulation 30 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 provides that every person who (together with persons acting in concert) holds 25% or more of shares or voting rights in a target company and the promoter of every company (together with persons acting in concert) are required to disclose their aggregate shareholding and voting rights held in a listed company as of March 31, each year. The due date for making this disclosure has been extended to June 1, 2020.

Further Regulation 31 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 provides that the promoter of every company (together with persons acting in concert) is required to declare that on a yearly basis that he has not made any encumbrance on the shares held by him, directly or indirectly, other than those already disclosed during the financial year. The due date for making this disclosure has been extended to June 1, 2020.

5. Relaxation from compliance with certain provisions issued under SEBI (Credit Rating Agencies) Regulations, 1999

²⁰SEBI Circular no. SEBI/HO/CFD/DCR1/CIR/P/2020/49 dated March 27, 2020 on “Relaxation from compliance with certain provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 due to the COVID-19 pandemic”.

SEBI has permitted credit rating agencies to not consider non-payment of principal/ interest or any rescheduling of payment of debt obligations by the issuer as a default until the period of moratorium granted by the RBI, i.e. May 31, 2020.²¹ Further an extension of 30 days is being granted for making annual and semi-annual disclosures by CRAs on its website for the period ended March 2020 and a relaxation has been granted from the timelines for rating actions/ issue of the press release by the credit rating agencies stipulated *vide* SEBI circular dated June 30, 2017.

6. Continuation of Phase II of Unified Payments Interface with Application Supported by Block Amount

SEBI *vide* circular number SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 08, 2019, had extended the timeline for implementation of Phase II of Unified Payments Interface with Application Supported by Blocked Amount (“UPI ASBA”) till March 31, 2020. However, SEBI has further extended the continuation of the current Phase II of the UPI ASBA till further notice and it was further clarified that the modalities for the implementation of the

²¹ SEBI Circular no. SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 53 dated March 30, 2020 on “Relaxation from compliance with certain provisions of the circulars issued under SEBI (Credit Rating Agencies) Regulations, 1999 due to the COVID-19 pandemic and moratorium permitted by RBI”.

Phase III of the UPI ASBA would be notified at a later date.²²

7. Relaxation in processing of documents pertaining to FPIs

In terms of Operational guidelines for Foreign Portfolio Investors (FPIs) & Designated Depository Participants (DDPs) issued under Securities and Exchange Board of India (FPI) Regulations, 2019, FPI applicants shall submit duly signed application form (including KYC details) and supporting documents and applicable fees. Further, copies of all the KYC documents submitted by the applicant should be accompanied by originals for verification. In case the original of any KYC document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents. SEBI has made the following relaxations applicable till June 30, 2020²³:

- a. DDPs & Custodians may consider and process the request(s) for registration/ continuance/ KYC / KYC review & any other material change on the basis of the scanned version of signed documents (instead of originals) and copies of documents which are not certified, received from
 - e-mail IDs of their Global Custodians/existing clients where these details are already captured in records or

- e-mail IDs of new clients received from domains which are duly encrypted with Transport-layer security (TLS) or similar encryption or the documents are password protected.
- b. These documents may be uploaded on KRAs. The other intermediaries may rely on said documents.

DDPs & Custodians shall ensure to obtain the original and/or certified documents (as applicable normally) within 30 days from June 30, 2020.

8. Relaxation in compliance with requirements pertaining to Portfolio Managers

SEBI *vide* circular dated March 30, 2020²⁴ has extended the timelines for the following by two months:

- a. Monthly reporting to SEBI by Portfolio Managers for the periods ending March 31, 2020 and April 30, 2020.
- b. Applicability of SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020 on 'Guidelines for Portfolio Managers'.

9. Relaxation in compliance with requirements pertaining to AIFs and VCFs

SEBI *vide* its circular dated March 30, 2020²⁵, has extended the due date for regulatory filings for alternate investment funds and venture capital funds for the periods ending

²²SEBI Circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020 on Continuation of Phase II of Unified Payments Interface with Application Supported by Block Amount".

²³SEBI Circular no. SEBI/HO/FPI&C/CIR/P/2020/056 dated March 30, 2020 on "Temporary relaxation in processing of documents pertaining to FPIs due to COVID-19".

²⁴SEBI Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/57 dated March 30, 2020 on "Relaxation in compliance with requirements pertaining to Portfolio Managers".

²⁵SEBI Circular no. SEBI/HO/IMD/DF1/CIR/P/2020/58 dated March 30, 2020 on "Relaxation in compliance with requirements pertaining to AIFs and VCFs".

March 31, 2020 and April 30, 2020 by 2 months, over and above the timelines prescribed under SEBI (Alternative Investment Funds) Regulations, 2012 and circulars issued thereunder.

D. RESERVE BANK OF INDIA

1. RBI COVID-19 Regulatory Package

RBI *vide* its circular dated March 27, 2020²⁶ has released the following relaxation to borrowers and lending institution:

a. Rescheduling of Payments – Term Loans and Working Capital Facilities

The RBI has permitted all commercial banks including regional rural banks, small finance banks and local area banks, co-operative banks, all-India Financial Institutions, and NBFCs to grant a moratorium of 3 months on payment of all installments falling due between March 1, 2020 and May 31, 2020 in respect of all term loans.²⁷ The interest will, however, continue to accrue on the outstanding portion of the term loans during the moratorium period.

Further, all commercial banks are also permitted to defer the recovery of interest applied in respect of all working capital facilities sanctioned in the form of cash credit/overdraft during the period from March 1, 2020 upto May 31, 2020. The accumulated accrued interest shall be recovered immediately after the completion of this period.

Given that the lock-down has resulted in a disruption of business in what have been deemed as “non-essential” services and such businesses do not have steady revenue stream during this period, the servicing of payments towards term loans and working capital facilities may be an additional burden on such companies in addition to resuming regular business.

b. Easing of Working Capital Financing

The commercial banks may recalculate the drawing power by reducing the margins and/or reassessing the working capital cycle, in respect of working capital facilities sanctioned in the form of cash credit/overdraft. This relief shall be effectuated upto May 31, 2020.

c. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

Any relief granted in terms of point ‘a.’ or ‘b.’ shall not lead to the downgrading of the borrower’s asset classification or qualify as any default.

d. Wherever the exposure of a lending institution to a borrower is Rupees 5 Crore or above as on March 1, 2020, the bank shall develop an MIS on the reliefs provided to its borrowers which shall inter alia include borrower-wise and credit-facility wise information regarding the nature and amount of relief granted.

²⁶ SEBI Circular no. RBI/2019-20/186 dated March 27, 2020 on “COVID-19 – Regulatory Package”.

²⁷ Instalment for this purpose includes (i) principal and/or interest components; (ii) bullet repayments;

(iii) equated monthly instalments; and (iv) credit card dues.

2. RBI- Seventh Bi-monthly Monetary Policy Statement, 2019-20 Resolution of the Monetary Policy Committee (“MPC”)

RBI announced that the MPC at its meeting had decided to reduce the policy repo rate under the liquidity adjustment facility (“LAF”) by 75 basis points to 4.40% from 5.15%. The marginal standing facility and the bank rate is reduced to 4.65% from 5.40%. Further, upon the widening of the LAF corridor, the reverse repo rate under the LAF shall stand reduced by 90 basis points to 4.0%.

3. Cash Reserve Ratio

The RBI has announced its decision to reduce the Cash Reserve Ratio (CRR) of all banks by 100 basis points from 4.00 percent to 3.00 percent of their Net Demand and Time Liabilities (NDTL) with effect from the reporting fortnight beginning March 28, 2020 for a period of one year, ending on March 26, 2021²⁸ and has decided to reduce the minimum daily maintenance of the Cash Reserve Ratio from 90 percent of the requirement to 80 percent effective from the fortnight beginning March 28, 2020. This is a one-time dispensation available up to June 26, 2020²⁹.

4. Maintenance of Statutory Liquidity Ratio

Further, RBI has decided to raise the borrowing limit of Scheduled Banks

(excluding Regional Rural Bank) under the MSF scheme from 2 percent to 3 percent of their Net Demand and Time Liabilities (NDTL) outstanding at the end of the second preceding fortnight with immediate effect. The enhanced limit will be applicable up to June 30, 2020.³⁰

5. Extension in period of realization of export proceeds

The Export Regulations require that the full export value of goods, software or services exported from India must be realised within 9 months from the date of export. Following an amendment to the Export Regulations and by its notification of 1 April 2020, the RBI has extended the period of realisation of export proceeds to 15 months from 9 months in respect of all exports made up to 31 July 2020.³¹

6. RBI has decided to defer the implementation of Net Stable Funding Ratio guidelines by six months. These guidelines will now come into effect from October 1, 2020 as against April 1, 2020.³²

7. RBI to enable the smoother implementation of the LEI system in non-derivative markets, extended the timeline for implementation of Phase III from March 31, 2020 to September 30, 2020 for entities with a net worth up to Rs. 200 Crore.³³

²⁸ RBI Circular no. RBI/2019-20/191 dated March 27, 2020 on “Maintenance of Cash Reserve Ratio (CRR)”.

²⁹ RBI Circular no. RBI/2019-20/192 dated March 27, 2020 on “Section 42(1) of the Reserve Bank of India Act, 1934 - Change in Daily Minimum Cash Reserve Maintenance Requirement”.

³⁰ RBI Circular no. RBI/2019-20/189 dated March 27, 2020 on “Section 24 of the Banking Regulation Act, 1949 – Maintenance of Statutory Liquidity Ratio (SLR) – Marginal Standing Facility (MSF)”.

³¹ RBI Press Release dated April 1, 2020 on “RBI announces further measures for dealing with the COVID-19 pandemic”.

³² RBI Circular no. RBI/2019-20/187 dated March 27, 2020 on “Basel III Framework on Liquidity Standards – Net Stable Funding Ratio (NSFR)”.

³³ RBI Notification RBI/2019-20/185 dated March 27, 2020 on “Legal Entity Identifier: Extension of Deadline”.

8. RBI has amended the Master Direction on Risk Management and Inter-bank Dealings dated July 6, 2016, to bring it in line with the permit given to banks in India which operate International Financial Services Centre (IFSC) Banking Units (IBUs) to participate in the Non-Deliverable Forward Market with effect from June 1, 2020. The amendments include³⁴:

- a. The definition of a Non-deliverable derivative contract (NDDC) has been inserted to mean a foreign exchange derivative contract involving the Rupee, entered into with a person not resident in India and which is settled without involving the delivery of Rupee.
- b. Banks in India having an Authorised Dealer Category-1 license under FEMA, 1999, and operating International Financial Services Centre (IFSC) Banking Units (IBUs) shall be eligible to offer NDDC involving the Rupee, or otherwise, to persons not resident in India. Banks can undertake such transactions through their IBUs or through their branches in India or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank).
- c. Authorised dealers having an IFSC Banking Unit (IBU) may transact in NDDCs with other AD Category 1 banks having IBUs and banks overseas. Banks can undertake such transactions through their IBUs or through their branches in India or through their foreign branches (in case of foreign banks operating in

India, through any branch of the parent bank).

3. CONCLUSION

This pandemic has had a major impact on the global economy and reports by experts suggest that the economic disruption caused by COVID-19 is much harsher than the financial crisis in 2008, given the abrupt halt in production. With the uncertainty looming in front of us due to the pandemic, these exemptions and relaxations come as a much needed and timely step in order to assist companies and ensure their smooth functioning. However, given the disruptions that such businesses would have gone through during the lock-down, and the time it would take for the companies to resume post completion of lock-down, it is also essential at this stage to consider the impact of removing such relaxations once business resumes as usual.

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³⁴ RBI Circular no. RBI/2019-20/193 dated March 27, 2020 on “Risk Management and Inter-bank

Dealings- Participation of Banks in Offshore Non-Deliverable Rupee Derivative Markets”.