



COVID 19 - REGULATORY UPDATES (CORPORATE AND COMMERCIAL) - VOLUME I

To tackle the various logistical challenges and hardships faced by various corporate entities in ensuring continuity of business in the midst of the various restrictions imposed pursuant to the COVID - 19 outbreak, regulators have announced various relaxations for such entities in relation to compliance with certain legal requirements.

Set out below is an overview of the key changes to the regulatory regime for the period between 16 March 2020 and 27 March 2020:

1. RESERVE BANK OF INDIA (RBI)

- (i) **Measures to combat liquidity constraints:** On 27 March 2020, a wide range of measures were announced to expand liquidity in the system and ease financial stress so as to relax repayment pressures and ensure monetary transmission and continuity in the functioning of markets. These measures *inter-alia* include:
- (a) Permission to commercial banks, NBFCs, co-operative banks and all-India financial institutions to allow a moratorium of 3 (three) months on payment of instalments in respect of outstanding term loans as on 1 March 2020; and
 - (b) Permission to lending institutions to allow (i) deferred payment of interest by 3 (three) months on cash credit or overdraft working capital facilities outstanding as on 1 March 2020, and (ii) to recalculate drawing power by reduction of margins and / or reassessing working capital cycle of borrowers, without resulting in an asset classification downgrade.
- (ii) **Operational and business continuity measures:** On 16 March 2020, certain operational and business continuity measures to be taken by banks and financial institutions as a part of their existing operational and business plans were notified, which were also asked to assess the impact of Covid-19 on their balance sheet, asset quality and liquidity. Suggested measures include: (a) devising a strategy and monitoring mechanism in relation to spread of Covid-19 within the organisation; (b) taking stock of critical processes and revisiting business continuity plans on emerging situations and scenarios to ensure continuity in critical interfaces and prevent disruption of services; (c) sensitisation of members about preventive measures and steps in suspected cases; and (d) encouraged use of digital banking services by customers.

2. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

- (i) **Relaxations under the Takeover Code:** On 27 March 2020, the due date for filing certain disclosures required to be made by shareholders (including in relation to encumbrances) under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011 in relation to their shareholding held as on 31 March 2020, was extended from 15 April 2020 to 1 June 2020.



- (ii) **Relaxations for listed companies:** Several relaxations were granted to listed entities *vide* various circulars as listed below:
- (a) Equity Securities:
- Circulated dated 26 March 2020, *inter-alia*, extended timelines for certain compliances in relation to holding of the annual general meeting and board committee meetings by companies, and due date of implementation for SEBI's standard operating procedure on imposition of fines along with exempting listed entities from the requirement of mandatory publication of specified information in newspapers under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR).
 - On 19 March 2020, a circular was issued granting listed companies relaxations from certain compliances under SEBI LODR such as extension of timelines for making specified filings and suspension of requirement of holding 2 (two) board meetings within a time gap of 120 (one hundred twenty) days for meetings to be held between 1 December 2019 and 30 June 2020.
- (b) Debt Securities: Circular dated 23 March 2020 granted extensions to listed entities that have issued / intend to issue debt for:
- making specified filings under SEBI LODR; and
 - the date of public issuance of debt securities / commercial papers to 31 May 2020, in respect of which, the latest available financials are as of 30 September 2019.
- (iii) **Exemption to securities market intermediaries from closure order:** On 24 March 2020, certain entities (including stock exchanges, stock brokers, depository participants, foreign portfolio investors, alternate investment funds, investment advisors) providing capital and debt market services were granted exemption for 21 (twenty one) days from the closure order issued by the Ministry of Home Affairs on 24 March 2020.
- (iv) **Relaxation from compliances for mutual funds:** On 23 March 2020, a circular was issued announcing relaxations for mutual funds from certain compliances under the SEBI (Mutual Funds) Regulations 1996 such as extension of (a) validity of SEBI observations for 'New Fund Offer' schemes; (b) timelines for certain filings; and (c) effective date of implementation of specified policy initiatives.
- (v) **Relaxations for filings by REITs and InvITs:** A circular was issued on 23 March 2020 extending due dates for regulatory filings and compliances by real estate investment trusts (REITs) and infrastructure investment trusts (InvITs) for the period ending 31 March 2020, by 1 (one) month.

3. MINISTRY OF CORPORATE AFFAIRS (MCA)

- (i) **Relaxations from compliance under Companies Act 2013:**



- On 24 March 2020, various relaxations were granted from compliance with provisions of the Companies Act 2013 in relation to, inter-alia, meetings of directors, commencement of business for newly incorporated companies, residency criteria of directors.
 - Further, on 19 March 2020, the Companies (Meetings of Board and Powers) Amendment Rules 2020 was also amended to grant permission to companies to hold board meetings by audio - visual means until 30 June 2020 to approve matters which are otherwise required to be approved at a physical meeting.
- (ii) **Eligibility of Covid-19 related activities as a CSR activity:** On 23 March 2020, a circular was issued clarifying that CSR funds may now be spent towards specified Covid-19 related activities including eradication of hunger, poverty, promotion of healthcare and sanitation (including contribution to Swach Bharat Kosh) and disaster management.
- (iii) **Preventive measures to contain the spread of Covid-19:** On 19 March 2020, an advisory was issued with measures to combat the spread of Covid-19 and generate awareness, requiring all companies to report compliance with this advisory through a web-form 'CAR' (Company Affirmation and Readiness towards COVID-19) from 23 March 2020.

For a detailed analysis of the abovementioned regulatory updates relating to Covid-19, please visit <https://www.khaitanco.com/covid-19>. We look forward to receiving your valuable feedback at editors@khaitanco.com and we would be happy to respond to your queries concerning this information.

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