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Corporate Compliance Updates



25th March 2020

Announcements & Amendments to Address Covid-19 Pandemic

Fostering the initiatives of the Government of India to contain the spread of Covid-19 and to address the large-scale economic and financial distress caused by this pandemic, the Ministry of Corporate Affairs [“MCA”] has introduced certain relaxations vide amendments to some of the provisions of the **Companies Act, 2013** including convening Board meeting through video conference and spending CSR funds towards COVID-19.

The Securities and Exchange Board of India [“SEBI”] has also introduced certain amendments. Further, a press conference was held on 24th March 2020 by the Union Finance Minister, Ms. Nirmala Sitharaman wherein she has announced a slew of measures to provide relief amid the coronavirus outbreak.

This newsletter brings highlights of the amendments and announcements.

MCA:

1. **Board meetings through video conferencing or other audio-visual means:**

Until 30th June 2020, Companies can conduct Board meetings through video conferencing or other audio-visual means, to approve the matters that were erstwhile allowed in physical meetings only.

These matters include:

- (i) approval of the annual financial statements;
- (ii) approval of the Board’s report;
- (iii) approval of the prospectus;
- (iv) Audit Committee Meetings for consideration of financial statements; and
- (v) approval of matters relating to amalgamation, merger, demerger, acquisition and takeover.

In this regard, the MCA has notified the Companies (Meetings of Board and its Powers) Amendment Rules, 2020. [Click here](#) to access it.

2. Clarification on spending of CSR funds:

- The MCA has clarified through a [Circular dated 23rd March 2020](#) that spending of CSR funds for COVID -19 would be eligible as CSR Activity.
- It was further clarified that funds could be spent for various activities related to Covid 19 under item number (i) to (xii) of the Schedule VII relating to the promotion of health care, including preventive health care and sanitisation and disaster management, including relief, rehabilitation and reconstruction activities.

3. Advisory note released as part of disaster management in the wake of COVID-19 pandemic:

The MCA released an advisory note (D.O. No. Secy (MCA)/COVID-19/1/2020) to Companies and LLPs to take the following steps:

- Immediately put in place a plan to implement the “Work from home” policy (to the maximum extent possible) as a temporary measure till 31 March 2020;
- Where the essential staff is on duty, staggered timings may be followed to minimize interaction; and
- Other preventive measures including Dos and Don’ts advised by public health authorities may be strictly followed.

4. Deployment of CAR (Companies Affirmation on Readiness towards COVID-19):

The MCA has introduced a web form, [CAR \(Companies Affirmation on Readiness towards COVID-19\)](#), for Companies/LLPs to confirm their readiness to deal with the COVID-19 threat.

- There is no requirement of DSC for filing this form and it does not involve payment of any fee.
- There is no penalty or enforcement-related action and stakeholders may file the form at their convenience.

5. View Public Document Service and Closure of office of MCA:

View Public Document (VPD) requests have been disabled till 31st March 2020. All the offices of MCA including its field offices, statutory and autonomous bodies shall remain closed for a period of 21days with effect from 25th March 2020.

SEBI:**1. Relaxation of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR') compliances:****1A. Relaxation of certain compliances specified under LODR: SEBI Circular dated 19th March 2020:**

Considering the Covid-19 pandemic, SEBI vide [Circular dated 19th March 2020](#) has decided to grant temporary relaxations from certain compliance stipulations specified under LODR to listed entities with respect to the quarter / financial year ending March 31, 2020:

SN	Regulation and associated filing	Period of relaxation
1.	Regulation 7(3) relating to half yearly compliance certificate on share transfer facility	1 month
2.	Regulation 13(3) relating to quarterly statement of Investor complaints	3 weeks (appx.)
3.	Regulation 24A read with circular No CIR/CFD/CMD1/27/2019 dated February 8, 2019 relating to Annual Secretarial compliance report	1 month
4.	Regulation 27(2) relating to filing of quarterly Corporate Governance report	1 month
5.	Regulation 31 relating to filing of quarterly Shareholding Pattern	3 weeks (appx.)
6.	Regulation 33 relating to filing of quarterly and annual Financial Results	45 days/1 month

1B. Relaxation of certain compliances specified under LODR: SEBI Circular dated 23rd March 2020:

As a follow-up to the previous circular, SEBI decided to issue a clarification with regards to certain timelines for listed entities and grant relaxations to listed entities which have listed their Non-Convertible Debentures (NCDs), Non-Convertible Redeemable Preference Shares (NCRPS), Municipal Debt Securities (MDS) and Commercial Papers (CPs), through its [circular dated 23rd March 2020](#). The relaxations include:

- Extension of the timeline for issuance and filings for issuers who have listed /propose to list their Non-Convertible Debentures (NCDs) / Non-Convertible Redeemable Preference Shares (NCRPS)/ Commercial Paper(s).
- Extension of the timeline for filings under SEBI (LODR) Regulation, 2015.
- Extension of the timeline for filings prescribed for Issuers of Municipal Debt Securities.

2. Other relaxations by SEBI:

2A. SEBI (Mutual Funds) Regulations, 1996:

In light of the recent market events pursuant to COVID-19, SEBI has decided to grant certain relaxations specified in SEBI (Mutual Funds) Regulations, 1996 in relation to:

- the validity period of all new schemes (NFO).
- timelines for some of the disclosures.
- extension of the effective date of implementation of certain policy initiatives.
- temporary relaxations to access control exercised by Asset Management Companies (AMCs).

[Click here](#) to access the circular issued by SEBI in this regard.

2B. Sub Interoperability among Clearing Corporations:

SEBI has introduced certain revisions in the criteria for entering the risk reduction mode for all Recognized Stock Exchanges and Clearing Corporations.

[Click here](#) to access the circular issued by SEBI in this regard.

2C. Relaxation from compliance offered to Real Estate Investment Trusts [REITs] and Infrastructure Investment Trusts [InvITs]

The SEBI, through its [circular dated 23rd March 2020](#), has decided to extend the due date for regulatory filings and compliances for REIT and InvIT for the period ending March 31, 2020, by one month over and above the timelines, prescribed under:

- SEBI (Infrastructure Investment Trusts) Regulations, 2014 (InvIT Regulations) and
- SEBI (Real estate Investment Trusts) Regulations, 2014 (REIT Regulations) and circulars issued thereunder.

HIGHLIGHTS OF THE PRESS CONFERENCE BY UNION FINANCE MINISTER:

1. **Moratorium for filing of forms with no additional fees:**

No additional fees shall be charged for late filing during a moratorium period from 1st April to 30th September 2020, in respect of any document, return, statement etc., required to be filed in the MCA-21 Registry, irrespective of its due date.

2. **Relaxation by 60 days for holding board meetings:**

The mandatory requirement of holding meetings of the Board of the companies within the prescribed interval provided in the Companies Act (120 days), 2013, shall be extended by a period of 60 days till the next two quarters i.e., till 30th September.

3. **Applicability of Companies (Auditor's Report) 2020:**

It will be made effective from FY 2020-21.

4. **Meeting of Independent Directors for FY 2019-20:**

For the year 2019-20 if no meeting of independent directors is held the same shall not be considered as a violation.

5. **Extension of timelines for filing declaration of commencement of business:**

For newly incorporated companies filing of a declaration of commencement of business is mandatory within 6 months which is being extended to 12 months.

6. **Residency requirement for directors:**

Non-compliance of minimum residency in India for a period of at least 182 days by at least one director of every company, under Section 149 of the Companies Act, 2013 shall not be treated as a violation.

7. **Requirement of maintaining deposit reserve:**

The requirement to create a Deposit reserve of 20% of deposits maturing during the financial year 2020-21 before 30th April 2020 shall be allowed to be complied with till 30th June 2020.

8. Requirement to invest in specified securities:

The requirement to invest 15% of debentures maturing during a particular year in specified instruments before 30th April 2020, may be done before 30th June 2020.

9. Insolvency and Bankruptcy Code 2016 [IBC]:

- The threshold of default of Rs 100,000 enhanced to Rs 1,00,00,000 for filing CIRP proceedings.
- Section 7, 9 and 10 of IBC to be suspended for 6 months if the lockdown situation continues beyond April 30, 2020.

Important Note

Respected Prime Minister of India, Narendra Modi announced yesterday [24/03/20] that, the entire country [India] will go into lockdown for 21 days from 12 am 25th March 2020 amid the coronavirus pandemic.

Since social distancing is the only solution to fight corona virus, stay home, stay safe.

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