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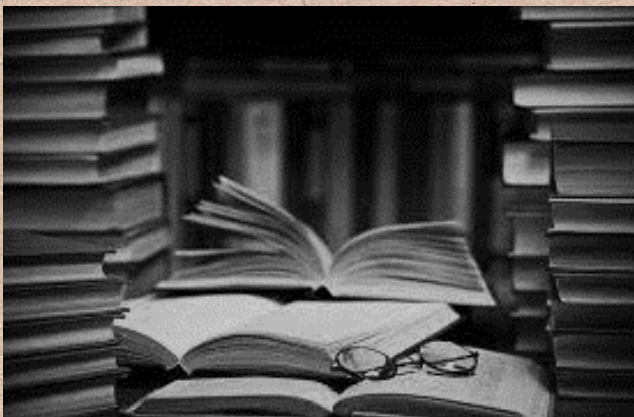
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Nemo Dat Quod Non Habet: 'No one can give what he has not got'



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SEBI UPDATES

SEBI (FOREIGN PORTFOLIO INVESTORS) (AMENDMENT) REGULATIONS, 2024 – NOTIFIED

Securities and Exchange Board of India (“SEBI”), in its Master Circular for Foreign Portfolio Investors (“FPIs”), Designated Depository Participants (“DDP”) and Eligible Foreign Investors dated May 30, 2024 (“FPI Master Circular”), specifies the guidelines for registration of FPIs and the investment conditions/restrictions on FPIs under Part A and Part C of the FPI Master Circular, respectively. The FPI Master Circular also sets out the timelines for disclosure of certain material changes/events.

SEBI, *vide* its notification dated May 31, 2024, has amended the SEBI (FPI) Regulations, 2019 (“FPI Regulations”), by notifying the SEBI (FPI) (Amendment) Regulations, 2024 (“FPI Amendment Regulations”) effective from June 3, 2024. The FPI Regulations have been amended to *inter alia*: (a) provide flexibility to FPIs in dealing with their securities post expiry of their registration; and (b) to relax the timelines for disclosure of material changes/events and other obligations by FPIs.

The following are the key amendments to the FPI Regulations:

- (a) Regulation 7 of the FPI Regulations deals with ‘certificate of registration’ and has been revised as follows:
 - (i) FPIs holding securities or derivatives in India whose certificate of registration is not valid as on the date of the commencement of the FPI Amendment Regulations, shall be allowed to sell such securities or wind up their open position in derivatives within 360 days from the date of commencement of the FPI Amendment Regulations.
 - (ii) The registration fees, mentioned in Part A of the Second Schedule to the FPI Regulations, has to be paid by FPIs for every block of 3 years, before the beginning of such block. However, the FPIs shall be considered to have paid the said registration fees in the event they pay the same along with the late fee (provided in Part A of the Second Schedule to the FPI Regulations) within a period of 30 days from the date of expiry of the preceding block. In the event, the FPIs do not pay the required registration fee and the late fee and continues to hold securities or derivatives in India, it would be allowed to sell such securities or wind up their open position in derivatives in India within 360 days from the date of expiry of the aforementioned 30 days, under such terms and conditions and in such manner as may be specified by SEBI, from time to time.
 - (iii) FPIs whose certificate of registration is not valid and has not sold off the securities or wound-up their open position in derivatives in India as per the FPI Amendment Regulations will be deemed to have written off the securities in the manner specified by SEBI.

- (b) Prior to the FPI Amendment Regulations, the timeline for an FPI to disclose material changes/events was “as soon as possible but not later than 7 working days”. This timeline has now been omitted.
- (c) Part A of the Second Schedule to the FPI Regulations has been revised to provide that the late fees payable, wherever applicable, by FPIs will be US\$ 50 per day for Category I and US\$ 5 per day for Category II FPIs.

Pursuant to the FPI Amendment Regulations, SEBI, *vide* its circular dated June 5, 2024 (“**FPI Registration Expiry Circular**”), has addressed the framework for providing flexibility to FPIs regarding their securities after the expiry of their registration thereby amending the FPI Master Circular. Certain key amendments are as follows:

- (a) Continuance of registration: The procedures for FPIs, who wish to continue their registration for the subsequent block of 3 years, including the submission of fees and updates to their information, has been laid down. FPIs failing to meet these requirements within the specified timelines may face restrictions on further purchases until registration continuance is confirmed. The re-activation of registration of FPIs is subject to FPIs complying with applicable Know Your Customer (“**KYC**”) and Anti-Money Laundering/ Countering the Financing of Terrorism requirements.
- (b) Reclassification: Provisions for reclassification of FPIs under different categories/sub-categories in cases of non-compliance with applicable eligibility requirements have been introduced. If an FPI registered under a particular category/sub-category fails to comply with applicable eligibility requirements, it shall notify this change to its DDP to be reclassified under appropriate category/sub-category. FPI may be required to provide to the DDP with additional KYC documents, as applicable. It also stipulates restrictions on fresh purchases for non-compliant FPIs until additional KYC requirements are met, although FPIs can continue to sell securities already purchased by it within the specified timeframe.
- (c) Change in status of a compliant jurisdiction: There is a prohibition on fresh purchases by FPIs from non-compliant jurisdictions (*as provided in the FPI Registration Expiry Circular*) until the regulations have been complied with. However, FPIs can continue to sell securities already purchased by it until expiry of its existing registration block or 180 days from the date of change in status of the jurisdiction, whichever is later.
- (d) Dealing with securities written-off / deemed to have been written-off: Securities written-off by the FPIs are to be transferred to escrow accounts operated by exchange empanelled brokers, with proceeds from the sale transferred to Investor Protection and Education Fund (“**SEBI-IPEF**”). Stock exchanges are tasked with monitoring the disposal process and reporting on securities held in escrow accounts. Provisions in this regard shall come into effect after 60 days from the date of FPI Registration Expiry Circular.

SEBI, *vide* its circular dated June 5, 2024 (“**FPI Material Changes Circular**”), has laid down the timelines for intimation of material changes and submission of supporting documents for different types of material changes by FPIs. The FPI Material Changes Circular provides for the following modifications in the FPI Master Circular:


(a) Classification of 'material change' into 2 types:

- (i) 'Type I' material changes include critical material changes that:
- render FPIs ineligible for registration;
 - require FPIs to seek fresh registration;
 - render FPIs ineligible to make fresh purchase of securities;
 - impact any privileges available or granted to FPIs, like the privileges enjoyed by FPIs in their capacity of qualified institutional buyers; and
 - impact any exemptions available or granted to FPIs under the extant regulatory framework.
- (ii) 'Type II' material changes, i.e., any material changes other than those considered as 'Type I' material changes. Deletion of sub-fund/share classes/equivalent structure that invests in India, shall be considered a 'Type II' material change.

(b) Timeline for intimation and submission of documents:

	'Type I' material change	'Type II' material change
Intimation of material change to the DDP and/or SEBI	Within 7 working days of the occurrence of the change	Within 30 days of such change
Submission of documents	Within 30 days of such change	Within 30 days of such change

- (c) Fresh registration requirement: The DDP shall mandatorily require FPIs to seek fresh registration in case of 'Type I' material changes, as more fully detailed under the FPI Material Changes Circular.
- (d) Delay in intimation of material change: In case of a delay in intimation of material change by FPIs to the DDP, the DDP is required to inform SEBI of all such cases of delay, along with the reason for delay, as soon as possible but not later than 2 working days, for appropriate action by SEBI.

To read the FPI Amendment Regulations [click here](#), to read the FPI Registration Expiry Circular [click here](#) & to read the FPI Material Changes Circular [click here](#) 

SEBI PERMITS 100% PARTICIPATION BY NRIs, OCIs AND RI INDIVIDUALS IN FPIs BASED IN IFSC, GIFT CITY

SEBI's FPI Master Circular, *inter alia*, specifies the conditions for participation by non-resident Indians ("NRIs"), overseas citizens of India ("OCIs"), or resident Indian ("RI") individuals in FPIs.

SEBI, *vide* its notification dated June 26, 2024, has amended the FPI Regulations, by notifying the SEBI (FPI) (Second Amendment) Regulations, 2024 ("FPI Second Amendment Regulations") to, *inter alia*, provide flexibility of having 100% aggregate contribution by NRIs, OCIs and RI individuals in

the corpus of FPIs based in the International Financial Services Centres ("IFSCs") in India and regulated by International Financial Services Centres Authority ("IFSCA").

With this amendment, the limit on aggregate contribution by NRIs, OCIs and RI individuals to the corpus of FPI applicant, i.e., aggregate contributions less than 50% of the total FPI corpus, is done away with for FPI applicants based in IFSC and regulated by IFSCA. Accordingly, NRIs, OCIs and RI can now invest up to 100% of the FPI corpus. However, the following conditions (and any other conditions as may be specified by SEBI from time to time) continue to be applicable: (a) individual contribution to be below 25% of the total FPI corpus; (b) the NRIs, OCIs and RI individuals shall not be in control of the FPI applicant; and (c) contribution by RI individuals to be made through the Liberalised Remittance Scheme and shall be in global funds whose Indian exposure is less than 50%.

In light of the amendments to the FPI Regulations, SEBI, *vide* its circular dated June 27, 2024 ("FPI IFSCA Circular"), has clarified that at the time of registration, the FPI applicant must submit a declaration to its DDP stating its intent to have 50% or more of its corpus contributed by NRIs, OCIs and RI individuals. Existing FPIs have to submit this declaration within 6 months from the date of the circular. The said declaration can only be reviewed during the renewal of registration.

The FPI IFSCA Circular provides 2 alternative routes for FPIs allowing up to 100% NRI/ OCI/ RI individual participation:

(a) Alternative 1:

- (i) FPI applicants must facilitate Permanent Account Number ("PAN") cards of all their NRI/ OCI/ RI individual constituents, along with their economic interest in FPIs' corpus. If the constituent lacks PAN, then suitable declarations and identity documents are required to be provided to the DDP.
- (ii) Same requirement exists for non-individual constituents controlled by NRIs/ OCIs/ RI individuals, or where these individuals together hold 50% or more ownership or economic interest on a full look through basis.

(b) Alternative 2: Following conditions would need to be satisfied by an FPI applicant to get an exemption from submission of the documents as set out in Alternative 1 above:

- (i) Pooling: Pool all investor contributions into a single investment vehicle registered as an FPI, with no side vehicles;
- (ii) All investors to have pari-passu and pro-rata rights by law;
- (iii) Diversification of investments and investors: A maximum of 20% of the FPIs' corpus to be invested in any Indian listed entity. FPIs to have a minimum of 20 investors with each investor contributing not more than 25% to its corpus;
- (iv) Independent Investment Manager/ Fund Manager: Investment decisions must be made by an independent investment manager, with no influence from investors. The investment manager must be an Asset Management Company of a Mutual Fund

(which is registered with SEBI and sponsored by a bank regulated by the Reserve Bank of India ("RBI")); and

- (v) FPIs must provide detailed beneficial ownership information in cases where: (i) they hold more than 33% of their Indian equity Assets Under Management ("AUM") in a single Indian corporate group; or (ii) they, along with their investor group, hold more than INR 25,000 crore of equity AUM in Indian markets.

To read the FPI Second Amendment Regulations [click here](#) & to read the FPI IFSC Circular [click here](#)



SEBI TWEAKS INSIDER TRADING REGULATIONS

SEBI, *vide* its notification dated June 25, 2024, has made certain amendments in the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations"). The notification shall come into force on the 90th day from the date of its publication in the official gazette.

Following are the key takeaways of the amendment:

- (a) **Reduction in the cooling off period for commencement of trading plan:** the timeline for entailing commencement of trading plan on behalf of the insider has been reduced to 120 calendar days (*earlier it was 6 months*) from the public disclosure of the trading plan and rationale for the same is inserted in the note [*Regulation 5(2)(i) of the PIT Regulations*];
- (b) **Removal of duration of trading plan and blackout period:** the minimum period of 12 months for a trading plan has been done away with [*Regulation 5(2)(iii) of the PIT Regulations*]. However, insider is required to mention an outer limit within which his trades will be executed, either a specific date or time period not exceeding 5 consecutive trading days for each trade. Further, the provision requiring that the trading plan does not entail trading for a reasonable period around the declaration of financial results as that would generate unpublished price sensitive information has also been removed [*Regulation 5(2)(ii) of the PIT Regulations*];
- (c) **price range of 20% in the trading plan:** an insider may at his option, to protect himself from the unexpected price movements in the securities, in his trading plan for each trade to be executed, set out the upper price limit for a buy trade and a lower price limit for a sell trade, with such limit to be in the range of up to 20% from the closing price on the day before submission of the trading plan. If price of the security is outside the price limit set by the insider, the trade shall not be executed [*Regulation 5(2)(v)(iv) of the PIT Regulations*];
- (d) **applicability of contra trade to the trading plan:** the minimum standard for code of conduct of the PIT Regulations stipulates that a designated person who is permitted to trade is not allowed to execute a contra trade (*opposite/ reverse trading*) for a minimum period of 6 months; however, the same was exempted, before the amendment, to the trades carried out

in accordance with an approved trading plan. The said exemption has now been taken away, meaning thereby that contra trade is no longer permissible under the approved trading plan [*second proviso to Regulation 5(3) of the PIT Regulations*];

- (e) **procedure in case of non-implementation (*full/partial*) of the trading plan / deviation:** in case of non-implementation (*full/partial*) of trading plan due to either reason enumerated in Regulation 5(4) of the PIT Regulations or failure of execution of trade due to inadequate liquidity in the scrip then: (i) the insider shall intimate non-implementation of trading plan to the compliance officer within 2 trading days of the end of tenure of trading plan with reasons thereof and supporting documents, if any; (ii) upon receipt of information from the insider, the compliance officer shall place such information along with his recommendation to accept or reject the submissions of the insider before the audit committee in the immediate next meeting; (iii) the audit committee shall decide whether such non-implementation was bona fide or not; (iv) decision of the audit committee shall be notified by the compliance officer on the same day to the stock exchanges on which the securities are listed; and (v) in case the audit committee does not accept the submissions made by the insider, then the compliance officer shall take action as per the code of conduct [*explanation to Regulation 5(4) of the PIT Regulations*]. Further, insider may make adjustments, with the approval of the compliance officer, in the number of securities and price limit in the event of corporate actions related to bonus issue and stock split occurring after the approval of trading plan and the same shall be notified on the stock exchanges on which securities are listed [*explanation to Regulation 5(2)(v) of the PIT Regulations*];
- (f) **approval/rejection of the trading plan:** the amendment stipulates that the compliance officer has to approve or reject the trading plan within 2 trading days of receipt and notify the approved plan to the stock exchanges on which the securities are listed, on the same day of approval [*Regulation 5(5) of the PIT Regulations*].

To read the notification [click here](#)



KEY HIGHLIGHTS OF THE 206TH SEBI BOARD MEETING

SEBI, at its board meeting held on June 27, 2024, has, *inter alia*, approved some crucial proposals/decisions as specified in its press release no. 12/2024. The following are the key highlights:

- (a) **Flexibility in Voluntary Delisting:** amendment to SEBI (Delisting of Equity Shares) Regulations, 2021 ("**Delisting Regulations**"):
- (i) **Introduction of fixed price process ("FPP"):** under the current delisting framework the price discovery is through reverse book building process (*where the public shareholders bid the price at which they are willing to sell their shares to the acquirer*) ("**RBB**"). FPP, which is an alternative to RBB, applies for delisting of companies whose shares are frequently traded in which the fixed price offered by the acquirer has to be with at least 15% premium over the floor price as determined under the Delisting Regulations.

- (ii) **Introduction of an alternative delisting framework for listed Investment Holding Companies ("IHC"):** a listed IHC that has at least 75% of their value (*net of liabilities*) comprising direct investments in equity shares of other listed companies will be permitted to transfer the underlying equity shares held by it in other listed companies to its public shareholders proportionally and will be permitted to make proportionate cash payments to its public shareholders against other assets including investments in land, building, unlisted companies, etc. On entire public shareholding being extinguished, IHC shall be delisted (*in compliance with requirements as specified by its financial sector regulator, if any*).
 - (iii) **Modifications of the counter-offer mechanism under RBB:** (I) reduction in threshold for making counter offer from existing 90% to 75%, provided at least 50% of the public shareholding is tendered; (II) the counter-offer price must be at least the higher of: (1) the volume weighted average price of shares tendered/offered under the RBB process; and (2) the indicative price, if any, offered by the acquirer; and (III) the delisting would be successful only if the acquirer's shareholding reaches 90% post-offer.
 - (iv) **Introduction of adjusted book value:** For determining the floor price for both frequently and infrequently traded shares of the companies under the delisting framework, adjusted book value has been introduced as an additional parameter, except for the Public Sector Undertakings.
 - (v) **Change in the reference date for computation of the floor price:** For computing the floor price, the reference date as per the existing requirement is the date of board approval which has been decided to modify to the date of the initial public announcement for voluntary delisting as in case of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (b) prohibiting association of persons regulated by SEBI to engage with unregulated persons (*for e.g. influencers*) providing advice or recommendation in securities market, unless such unregulated persons are permitted by SEBI to provide such advice or recommendation;
 - (c) reduction in various timelines prescribed under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, for streamlining the public issue process for debt securities and non-convertible redeemable preference shares and rationalization of disclosure requirements in the offer document for non-convertible securities and modification in timeline for intimation to stock exchanges for listed commercial paper;
 - (d) various measures to facilitate ease of business for Infrastructure Investment Trusts and Real Estate Investment Trusts; and
 - (e) exemption to university funds and university related endowments, registered or eligible to be registered as Category I foreign portfolio investment from additional disclosures prescribed under SEBI's circular dated August 24, 2023, subject to certain conditions.

FINANCIAL DISINCENTIVES FOR SURVEILLANCE RELATED LAPSES

SEBI, *vide* its circular dated June 6, 2024, has introduced a framework for imposing financial disincentives upon Market Infrastructure Institutions (“MIIs”) for surveillance related lapses (“SRLs”). MIIs include stock exchange, clearance corporations, and depositories. The framework shall not be applicable to certain matters/instances listed in the circular.

The general objective of surveillance by MIIs is to monitor the market to detect and deter manipulation or abusive trading that affects the integrity of the market, and to provide information that supports the regulator’s enforcement actions. Market surveillance by MIIs includes (*but is not limited to*) the following activities: (a) monitoring the day-to-day activities in the markets; (b) monitoring the conduct of market intermediaries through prescribed methods; (c) reporting of abnormal/suspicious activities as per the framework to be communicated by SEBI; (d) promptly implementing the decisions taken in the surveillance meetings; and (e) endeavouring to take pre-emptive surveillance measures as per any framework that may be communicated by SEBI.

SRLs have been defined to mean and include: (a) any lapse observed in the implementation of decisions taken during the surveillance meetings including any non-implementation or partial implementation or delayed implementation of any decision or communication of SEBI relating to surveillance as per agreed scope and timelines; (b) any lapse observed in discharge of surveillance activities as per agreed scope and timelines; and (c) any inadequate reporting or non-reporting of surveillance related activity as per agreed timelines.

The amount of financial disincentives under the framework is as follows:

Total Annual Revenue (INR) of MII*	>1000 crores	1000 crores - 300 crores	<300 crores
No. of instances of SRL in financial year			
First instance	25 lakhs	5 lakhs	1 lakh
Second instance	50 lakhs	10 lakhs	2 lakhs
Third instance onwards - for each instance during the financial year	1 crore	20 lakhs	4 lakhs

* *The total annual revenue of MII during the previous financial year as per the latest audited consolidated annual financial statement.*

The financial disincentive(s) under the framework, if imposed, shall be credited by the MII within 15 working days to the SEBI-IPEF established under the SEBI Act, 1992 and a confirmation of payment in this regard shall be forwarded to SEBI. MIIs shall also disclose on their websites (*and in their respective annual reports*) the details pertaining to such financial disincentive(s). Further, listed MIIs shall make appropriate disclosures required in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, regarding any financial disincentive(s) imposed by SEBI under this circular.

To read the circular [click here](#)



SEBI NOTIFIES MECHANISM FOR STOCK BROKERS TO PREVENT AND DETECT MARKET ABUSE

SEBI, *vide* its notification dated June 27, 2024, has amended the SEBI (Stock Brokers) Regulations, 1992 by notifying the SEBI (Stock Brokers) (Amendment) Regulations, 2024 ("**Stock Brokers Amendment Regulations**"), aimed at enhancing the framework for preventing and detecting fraud and market abuse in the securities market.

The key provisions of the Stock Brokers Amendment Regulations are as follows:

- (a) Insertion of Chapter IVA in the SEBI (Stock Brokers) Regulations, 1992, to include institutional mechanism for the prevention and detection of fraud or market abuse.
- (b) The key terms like "Designated Director", "fraud", "key managerial personnel", and "market abuse", have been defined and mandates key managerial personnel and senior management including Designated Directors of stock brokers to implement robust surveillance systems and internal controls to monitor trading activities and detect potential fraud or market abuse by clients, employees, or authorized persons.
- (c) Stock brokers are to establish and maintain adequate KYC surveillance systems, document their policies and procedures, periodically review, and update their systems to align with market developments and regulatory changes, maintain documented processes and systems to detect potential mule accounts or suspicious activity, and set reasonable thresholds for alert generation. Further, employees of stock brokers are required to immediately report to the senior management, upon knowledge of any fraud, market abuse or suspicious.
- (d) The said new chapter provides for escalation and reporting mechanisms which requires verification of the adequacy and efficiency of the systems for internal control and reporting of suspicious activities to stock exchanges in a prompt manner.
- (e) Establishing, implementing, and maintaining of a documented whistle blower policy has been mandated, providing a confidential channel for employees and other stakeholders to raise concerns about suspected fraudulent, unfair, or unethical practices, violations of regulatory or legal requirements or governance vulnerability.

To read the notification [click here](#)




LABOUR UPDATES

THE EMPLOYEES' PENSION SCHEME, 1995 – AMENDED

Ministry of Labour and Employment ("MLE"), *vide* its 3 notifications dated June 14, 2024, has notified the Employees' Pension (Amendment) Scheme, 2024, Employees' Pension (Second Amendment) Scheme, 2024, and the Employees' Pension (Third Amendment) Scheme, 2024, thereby amending the Employees' Pension Scheme, 1995 ("EPS").

Following are the amendments made to the EPS:

- (a) Table 'B', which contains the factor for computation of past service benefit under the ceased family pension scheme for existing members on exit from the employment and included years up to 34, has been amended to include factors for years less than 35 up to years less than 42.
- (b) Table 'D', which contains the return of contribution on exit from the employment with each year of service corresponding to the proportion of wages at exit, has been entirely replaced to provide for the proportion of wages at exit starting from 1 month of service till 113 months of service.
- (c) Paragraph 5 of EPS, which deals with recovery of damages for default in payment of any contributions, has been amended to substitute sub-paragraph (1). Earlier the different periods of default had a different rate of damages. The same has now been standardized to provide that the damages may be recovered from the employer at the rate of 1% of the arrear of contribution per month or part thereof.

To read the Employees' Pension (Amendment) Scheme, 2024 [click here](#), to read the Employees' Pension (Second Amendment) Scheme, 2024 [click here](#), & to read the Employees' Pension (Third Amendment) Scheme, 2024 [click here](#) 

AMENDMENTS MADE TO THE MAHARASHTRA FACTORIES (SAFETY AUDIT) RULES, 2014

The Industries, Energy, Labour and Mining Department, Government of Maharashtra, *vide* its notification no. FAC-2023/CR.No.52(Part-2)/Labour-4, published in Central Section (Division), Extra Ordinary (Gazette Type) in Part 1-L (Section) published on June 19, 2024, has amended the Maharashtra Factories (Safety Audit) Rules, 2014. Pursuant to the amendment, safety audit of factories in Maharashtra is mandatory if the factory employs more than 50 workers. Earlier this limit was 250 workers or more.

In addition to the above, following are the key amendments:

- (a) Definition of safety auditor now includes 'an institution'.

- (b) A team of Plant personnel is responsible for the internal audit which is to be done once a year. The term '**a team of Plant personnel**' has now been defined to mean a team of persons from different departments of the factory. In case an occupier has different factories, then the team of Plant personnel from other location may conduct the internal audit.
- (c) After completion of internal audit, the occupier shall submit the executive summary of observations and action taken report of the audit to the concern office of the Chief Inspector of Factories within 30 days from the date of completion of safety audit.
- (d) Chief Inspector may lay down separate checklists and procedures or additional checklists for the purpose of conducting safety audit of all or certain class of factories. The separate checklist and procedures or additional checklist as laid down above may be altered in the month of January of every year, if required, and shall be published on the official website of the Directorate of Industrial Safety and Health ("**DISH**").
- (e) The occupier as well as the safety auditor shall inform electronically to the concerned office of DISH within 7 days before commencement of the audit in factory.
- (f) Safety auditor shall visit the factory within 1 month after expiry of 3 months from the date of submission of external Safety Audit Report to the occupier to verify the actions taken and the report of the same shall be submitted to the concerned office of the DISH with a copy to occupier.
- (g) Schedule I, which contains the qualifications and experience of the safety auditor applicants, has been amended.
- (h) Schedule II, which contains the Proforma for Safety Audit Report, has been substituted.
- (i) A new Schedule III (*Proforma for verification of action taken report*) has been inserted.
- (j) Form A (*Application Form for recognition or renewal of recognition of Safety Auditor*) and Form B (*Form of Application for recognition or renewal of recognition to an institution as Safety Auditor*) have been modified and Form C (*Certificate of recognition / renewal of recognition as a Safety Auditor*) has been substituted.


To read the notification [visit here](#)



THE EMPLOYEES' PROVIDENT FUNDS SCHEME, 1952 AND THE EMPLOYEES' DEPOSIT LINKED INSURANCE SCHEME, 1976 – AMENDED

MLE, *vide* its notification dated June 14, 2024, has notified the Employees' Provident Funds (Amendment) Scheme, 2024 and the Employees' Deposit Linked Insurance (Amendment) Scheme, 2024, thereby amending the Employees' Provident Funds Scheme, 1952 ("**EPF Scheme**") and the Employees' Deposit Linked Insurance Scheme, 1976 ("**EDLI Scheme**"), respectively.

Paragraph 32A of the EPF Scheme, which deals with recovery of damages for default in payment of any contribution, has been amended to substitute sub-paragraph (1). Earlier the different periods of default had a different rate of damages. The same has now been standardized to provide that the damages may be recovered from the employer at the rate of 1% of the arrear of contribution per month or part thereof. Same modification has been made to Paragraph 8A of the EDLI Scheme.

To read the Employees' Provident Funds (Amendment) Scheme, 2024 [click here](#) & to read the Employees' Deposit Linked Insurance (Amendment) Scheme, 2024 [click here](#) 

RELIEF FOR FURTHER 4 YEARS TO IT-ITES ESTABLISHMENTS UNDER TELANGANA S&E ACT

The Government of Telangana, *vide* its notification date June 7, 2024, bearing reference number G.O. Ms. No. 5, has extended the exemption granted to all information technology enabled services and information technology establishments ("IT-ITES Establishments") from compliance of provisions related to working hours of an establishment (*i.e., the requirement of fixing the opening and closing hours as per the government order, employee not working for more than 8 hours in any day*), working hours of young persons who are between 14-18 years of age (*i.e., the young persons shall not be allowed to work in an establishment before 6 a.m. and 7 p.m.*) and women (*i.e., the women employee shall not be allowed to work in an establishment before 6 a.m. and after 8:30 p.m.*) as well as provision related to compulsory closure of establishments on notified holidays under the Telangana Shops and Establishments Act, 1988 ("**Telangana S&E Act**"), for a further period of 4 years w.e.f. May 30, 2024. This exemption, however, is subject to certain conditions being adhered to by the IT-ITES Establishments, including:

- (a) Weekly working hours are to be 48 hours. For the work done beyond 48 hours, employee is entitled for overtime wages.
- (b) Every employee shall be given a weekly off.
- (c) The management is permitted to engage young and women employees during the night shift subject to provision of adequate security during the course of employment and to and fro transport from their respective residences.
- (d) Every employee shall be given a compensatory holiday in lieu of notified mandatory national and festival holidays, with wages under the provision to Section 31(2) of Telangana S&E Act if they work on such notified holidays.
- (e) In relation to the travel, complying with multiple conditions, including: (i) employers shall obtain biodata of each driver and conduct pre-employment screening of the antecedents of all drivers employed on their own or through outsourcing; (ii) the schedule and route of the pick-up and drop shall be decided by the supervisory officer; (iii) careful selection of the route in accordance with the notification; and (iv) provide security guards for night shift vehicles.

IT-ITES Establishments are also exempt from maintaining various statutory registers in hard copy; maintaining these records in soft copy will be recognized as compliance.

If any of the 14 conditions listed in the notification are violated, the exemption issued may be revoked by the Government at any time without any prior notice.

To read the notification [visit here](#)



EXEMPTION FROM STANDING ORDERS EXTENDED FOR IT SECTOR BY KARNATAKA GOVERNMENT

The Government of Karnataka, *vide* its notification dated June 10, 2024, has exempted information technology, information technology enabled services, startups, animation, gaming, computer graphics, telecom, BPO, KPO, and other knowledge based industries ("**Exempted Establishments**") from the applicability of Industrial Employment (Standing Orders) Act, 1946 for a further period of 5 years from June 10, 2024. This exemption, however, is subject to conditions that the Exempted Establishments shall:

- (a) constitute an Internal Committee (IC) as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013;
- (b) constitute a Grievance Redressal Committee ("**GRC**") consisting of equal number of persons representing employer and employees, to address grievances of employees. The GRC shall address all employee complaints and grievances within a reasonable timeframe;
- (c) intimate information about all the cases of disciplinary action like suspension, discharge, termination, demotion, dismissal, etc., of its employees to the Jurisdictional Deputy Labour Commissioner and Commissioner of Labour in Karnataka; and
- (d) promptly and fully submit any information regarding service condition of the employees sought by the Jurisdictional Deputy Labour Commissioner and Commissioner of Labour within the reasonable time frame.

Further, it has been clarified that in case of the Industrial Relations Code, 2020 being implemented, the code will apply to all Exempted Establishments as well.

To read the notification [click here](#)



CERTAIN EXEMPTIONS TO ALL SHOPS AND COMMERCIAL ESTABLISHMENTS IN CHANDIGARH

The Chandigarh Administration, Labour Department, *vide* its notification dated June 25, 2024, has exempted all shops and commercial establishments registered under the Punjab Shops and Commercial Establishments Act, 1958 ("**Punjab S&E Act**") in the Union Territory, Chandigarh from

the operation of provisions of Sections 9 (*deals with the compliance of opening and closing hours fixed by the government*), 10(1) (*deals with the requirement of compulsorily keeping the establishment closed for a day in a week*) and 30 (*deals with the conditions for employment of women*) of Punjab S&E Act. Accordingly, all the shops and commercial establishments registered under Punjab S&E Act in Chandigarh are permitted to keep open on all 365 days and operate 24 hours. This exemption shall remain in force for 1 year, subject to compliance with certain conditions laid down in the notification.

These conditions relate to working hours, rest days, safety (*specific conditions in case of female employees such as protection from sexual harassment at workplace*), transportation, etc. In case of violation of any of the terms and conditions mentioned in the notification, or any other provision of the Punjab S&E Act, the exemption shall be cancelled after giving a due opportunity of being heard by the competent authority.

To read the notification [click here](#)



RBI UPDATES

FOREIGN EXCHANGE MANAGEMENT (OVERSEAS INVESTMENT) DIRECTIONS, 2022 – AMENDED

RBI, *vide* its notification dated June 7, 2024, has issued a circular (“OI Amendment Directions”) to amend the Foreign Exchange Management (Overseas Investment) Directions, 2022 (“Principal OI Directions”), in view of the diverse regulatory framework governing investment funds across various jurisdictions and to provide clarity on the same.

By way of the OI Amendment Directions, Paragraph 1(ix)(e) of the Principal OI Directions has now been substituted to state that an investment (*including sponsor contribution*) in units or any other instrument (by whatever name called) issued by an investment fund overseas, duly regulated by the regulator for the financial sector in the host jurisdiction, shall be treated as Overseas Portfolio Investment (“OPI”).

Further, an explanation has also been added to the aforesaid Paragraph 1(ix)(e) stating that an ‘investment fund overseas, duly regulated’ for the purpose of this para will also include funds whose activities are regulated by financial sector regulator of host country or jurisdiction through a fund manager.

Paragraph 24(1) of the Principal OI Directions has been substituted to state that a person resident in India, being an Indian entity or a resident individual, may make investment (*including sponsor contribution*) in units or any other instrument (by whatever name called) issued by an investment fund or vehicle set up in an International Financial Services Centre (“IFSC”), as OPI. Therefore, through this amendment, RBI has even permitted residents to make OPI in units or in any other instrument (*where previously it permitted such investment in units only*).

Further, through this amendment, RBI has permitted OPI in units or any other instrument (*where previously it permitted such investment in units only*) and has permitted investments in overseas funds that are regulated by the financial sector regulator through a fund manager, and has thereby granted greater flexibility for overseas investors to make OPI and establish their funds in commercially favourable jurisdictions. This will open avenues for Indian investors to invest in jurisdictions where the fund manager is regulated but the fund itself is not regulated.

To read the circular [click here](#)



OTHER UPDATES

TELECOMMUNICATIONS ACT – NOTIFIED

Ministry of Law and Justice, *vide* its notification dated December 24, 2023, had published the Telecommunications Act, 2023 (“**Telecom Act**”) which replaced the existing laws governing telecommunication in India, namely the Indian Telegraph Act, 1885 and the Indian Wireless Telegraphy Act, 1933, which has been covered in our [earlier edition of Legalaxy](#).

Further, Ministry of Communication, *vide* its notification dated June 21, 2024, has notified Sections 1, 2, 10-30, 42-44, 46, 47, 50-58, 61 and 62 of the Telecom Act.

The Telecom Act, *inter-alia*, provides for: (a) optimal utilisation of spectrum and various modes of achieving the same like secondary assignment, sharing/trading, etc.; (b) prohibition of use of equipment which blocks telecommunications without Government’s approval; (c) procedure for right of way for establishing, maintaining, or expanding the telecommunication network from the property of public entities and private individuals in a non-discriminatory manner and on a non-exclusive basis; and (d) prior consent of users for receiving certain specified messages, etc.

The Telecom Act also gives power to the Central Government or the State Government to take the temporary possession of any telecommunication service or telecommunication network from an authorised entity on the occurrence of any public emergency or in the interest of public safety.

To read the notification [click here](#)



IRDAI ISSUES MASTER CIRCULAR ON OPERATIONS AND ALLIED MATTERS OF INSURERS

The Insurance Regulatory and Development Authority of India (“**IRDAI**”), *vide* its notification dated June 19, 2024, has issued a master circular on operations and allied matters of insurers (“**IRDAI Master Circular**”) under Section 34 of the Insurance Act, 1938, Section 14 of the IRDA Act, 1999 and Regulation 56 of the IRDAI (Protection of Policyholders’ Interests, Operations, and Allied Matters of Insurers) Regulations, 2024. The IRDAI Master Circular seeks to enhance and streamline the governance measures on operations and allied matters of insurers, and consolidates provisions from 11 circulars/guidelines that have now been repealed by the IRDAI Master Circular.

The key provisions of the IRDAI Master Circular are as follows:

(a) constitution of an advertisement committee in accordance with Regulation 6(1)(c) of the IRDAI (Insurance Products) Regulations, 2024, and for every distribution channel, being an entity, to have a compliance officer; (b) specific requirements of establishing places of business in India to make insurance accessible at remote locations in the country and outside India, opening of foreign branch office outside India or at IFSC, activities permitted in a representative or liaison office, along with the reporting/ disclosure requirements in relation thereof; (c) allows insurers to enter into outsourcing arrangements only if they are economical and efficient in providing services to customers and/or

enhances overall value to their insurance business; (d) the establishment of an effective and robust grievance redressal mechanism which shall include enabling submission of grievances online, arrangement for registering all grievances submitted to the insurer in forms like call-centre of the insurer, and establishing internal ombudsman schemes; (e) an insurer is required to create its trade logo and the rules thereunder; (f) rules and regulations regarding issuance of group policies under life, general and health insurance is provided; (g) rules on the treatment and payment of unclaimed amounts of customers is provided; (h) appropriate systems and processes are required to be established to continuously engage with customers to thereby increase policyholders' engagement and awareness; and (i) rules in relation to servicing of policies, which were serviced by distribution channels, in the event of exit of its respective distribution channel is provided.

To read the IRDAI Master Circular [click here](#)



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