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CORPORATE LEGAL DEVELOPEMENTS

NEWSLETTER MARCH 2023

Weekly Insights & Updates

31 March 2023

SEBI

SEBI makes KYC mandatory for maintaining e-wallet investments in mutual funds from May 1, 2023

February 23, 2023: Pursuant to the circular ref. no- SEBI/HO/IMD/DF2/CIR/P/2017/39 dated May 8, 2017 (the "**EPayment Circular**"), the Securities and Exchange Board India ("**SEBI**") had specified that an investor is permitted, subject to compliance with certain conditions, to make an investment of up to INR 50,000 in mutual funds through cash (which includes the option of making the investment through an e-wallet) in a financial year.

- SEBI by way of a circular ref. no - SEBI/HO/IMD/IMD-PoD-2/P/CIR/2023/40 dated March 23, 2023 ("**Circular**"), SEBI has now directed all mutual funds and their intermediaries to ensure that in case the investment is through an e-wallet, such e-wallet must be fully compliant with the KYC norms prescribed by the Reserve Bank of India.
- The Circular is effective from May 1, 2023.

Link [here](#).

SEBI issues and interpretative letter in relation to computation of minimum networkth pursuant to informal guidance sought by Muthoot Health Care Private Limited ("**MHCPL**")

MHCPL was proposing to issue structured debt securities/market - linked securities in compliance with the provisions of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ("**NCS Regulations**") and chapter X of structured or market -linked debt securities of SEBI Operational Circular dated August 10, 2021 ("**Operational Circular**"). As per the Operational Circular, a company shall be eligible for issuance of market - linked debentures, if its minimum networkth at the time of issue is INR 100 Crores. MHCPL had voluntarily opted for transition of its financial statements from Indian generally accepted accounting principles ("**IGAAP**") to Indian Accounting Standards ("**Ind AS**"). As per the financial statements prepared under IGAAP, minimum networkth of the MHCPL was less than INR 100 crores and as per the financial statements prepared under Ind AS, the minimum networkth of MHCPL, worked out to be above the minimum threshold limit of INR Hundred Crores. Thus, MHCPL was desirous to understand whether the minimum net worth requirement is satisfied, merely on account of transition of

financial statements from IGAAP to Ind AS. SEBI has vide its informal guidance letter bearing no. SEBI/DDHS/Div-1/PR/OW/2023/10537/1 dated March 14, 2023, has issued a clarification on computation of minimum networth. The key points are as below:

- SEBI in its reply has not clearly answered the question, however, SEBI has instructed, MHCPL to comply with the definition of networth as mentioned in the Companies Act, 2013, read with the Companies Accounts Rules, 2014, Companies (Indian Accounting Standards) Rules, 2015 (IAS) and Companies (Accounting Standards) Rules, 2021 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Link [here](#).

SEBI issues an interpretative letter in relation to determination of a “large value accredited investor” pursuant to informal guidance sought by LGT Wealth India Private Limited (“LGT”)

LGT is a portfolio manager registered with SEBI under the Securities and Exchange Board of India (Portfolio Management) Regulations, 2020, as amended from time to time (the “**PM Regulations**”) and provides discretionary and non-discretionary portfolio management services (“**PMS**”) to clients. One of the clients of LGT, who is an ultra-high net worth individual (“**Client**”), was availing PMS Services from LGT under multiple discretionary PMS Strategies and was desirous of (i) registering himself as an Accredited Investor (“**AI**”); and (ii) availing PMS services for investments up to 100 percent of his assets under management (“**AUM**”) in unlisted securities pursuant to the exception granted to LVAI. SEBI has, vide its Informal Guidance Letter bearing no. SEBI/HO/IMD/IMD-POD-2/P/OW/2023/0000012071/1 dated March 23, 2023 (“**Informal Guidance**”) issued a clarification on the conditionalities for identification as Large Value Accredited Investor (“**LVAI**”) as defined in the PM Regulations, the key points of which are as below:

- If an AI who has already invested a certain sum of monies on one or more of the discretionary PMS (“**DPMS**”) Strategies of a portfolio manager, decides to become a LVAI, then for such a Client to be considered as LVAI for the Portfolio Manager, the existing investments of such Client with the concerned portfolio manager may form part of the minimum investment amount of INR 10 Crores, but the Client and the Portfolio Manager would be required to enter into a fresh agreement for the overall portfolio of minimum investment of INR 10 Crores, after the Client has received accreditation as an AI. Further, for the calculation of the minimum investment amount for availing the benefit as a LVAI, the AUM under each Portfolio Manager will be considered separately.
- Further, SEBI also clarified that as per Regulation 23(2) of the PM Regulations, the requirement of minimum investment amount per client shall not apply to an AI, accordingly, an AI can start his PMS investments with any amount, subject to compliance with applicable provisions of the PM Regulations.

Link [here](#).

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