



Relocation of foreign funds to IFSC GIFT City - Tax Incentives | Loans, guarantees, etc. to promoter entities to be disclosed as part of corporate governance | AIFs, VCFs given breather for regulatory filings

INSIGHTS

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In order to make Gujarat International Finance Tec-City (**GIFT**), India's first International Financial Services Centre (**IFSC**), a global financial hub, SEBI has allowed one-time off-market transfer of securities by foreign funds to IFSC. The move is in furtherance to tax incentives announced for relocating foreign funds to IFSC in Finance Act, 2021. In another move, International Financial Services Centres Authority (**IFSCA**), has notified the application form for registration of alternative investment funds (**AIFs**) in IFSC.

In addition to the above, following important changes have been notified by SEBI:

- Disclosure of loans/ guarantees/ comfort letters/ security given by listed entities to promoter entities half yearly w.e.f FY 2021-22 in the Compliance Report on Corporate Governance;
- Relaxation in compliance for AIFs and Venture Capital Funds (**VCFs**) due to COVID-19 till September 30, 2021;
- Requirement of providing specified disclosures to unitholders of the mutual fund schemes extended from June 1, 2021 to September 1, 2021.

Aforementioned changes are analyzed below:

A. One-time off-market transfer of securities by foreign portfolio investors (FPIs) to IFSC

The Finance Act, 2021 provided tax incentives for relocating foreign funds to IFSC in order to make the IFSC in GIFT City a global financial hub. In line with the same, SEBI has permitted FPIs ('original fund' or its wholly owned special purpose vehicle), to undertake one-time off-market transfer of its securities to the 'resultant fund', with the approval of its designated depository participant (**DDP**). The DDP may after appropriate due diligence accord its approval for a one-time 'off-market' transfer of securities for such relocation. Relocation request will imply that the FPI has deemed to have applied for surrender of its registration and the DDP may be guided by the guidelines pertaining to surrender of FPI registration. The terms 'original fund', 'relocation' and 'resultant fund' will have the same meaning as assigned to them under the Finance Act, 2021 ([available here](#)).

It has been clarified that the off-market transfer will be allowed without prejudice to any provisions of tax laws and Foreign Exchange Management Act, 1999 (**FEMA**).

The aforesaid change has been introduced vide SEBI Circular dated June 1, 2021 ([available here](#)).

B. IFSCA notifies application form for registration of AIFs in IFSC

In view of further streamlining the process of on boarding of AIFs in IFSC an application format has been designed by the IFSCA, and all the AIFs seeking registration shall be required to submit the application in the said format to IFSCA. The form has been notified vide IFSCA circular dated June 2, 2021 ([available here](#)).

C. Disclosure of loans/guarantees/comfort letters/security given by listed entities to promoter entities half yearly w.e.f FY 2021-22 in the Compliance Report on Corporate Governance

In order to bring about transparency and to strengthen the disclosures around loans/ guarantees/comfort letters/security provided by the listed entity, directly or indirectly to promoter/promoter group entities or any other entity controlled by them, SEBI has mandated such disclosures to be made on a half yearly basis, in the Compliance Report on Corporate Governance, effective from financial year 2021-22. The format of the aforesaid half yearly compliance report is provided under SEBI Circular dated May 31, 2021 ([available here](#)).

D. Relaxation in compliance for AIFs and VCFs due to COVID-19 till September 30, 2021

In view of the ongoing second wave of COVID-19 pandemic, SEBI has extended the due dates for regulatory filings by AIFs and VCFs, during the period ending March 2021 to July 2021 and the same can be submitted on or before **September 30, 2021**.

The aforesaid relaxation has been granted vide SEBI Circular dated May 31, 2021 ([available here](#)).

E. Extension of requirement of providing specified disclosures to unitholders of the mutual fund schemes

As you are aware, SEBI had vide Circular dated April 29, 2021 ([available here](#)), decided that the following disclosures will be required to be made by mutual funds/asset management companies (AMCs) to the investors only for the schemes in which the unitholders are invested as on the date on which the disclosures are stipulated:

- Mutual Fund/AMCs to disclose risk-o-meter of the scheme and benchmark while disclosing the performance of scheme vis-à-vis benchmark and
- Mutual Funds/AMCs to send the details of the scheme portfolio while communicating the fortnightly, monthly and half-yearly statement of scheme portfolio via email.

The aforesaid changes which were earlier to be made effective from June 1, 2021, will now be effective from September 1, 2021. This extension has been granted vide SEBI Circular dated May 31, 2021 ([available here](#)).

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com

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