

Prudential norms on income recognition, asset classification and provisioning pertaining to advances - 21 November 2016

RBI has issued a notification on prudential norms on income recognition, asset classification and provisioning pertaining to advances. Consequent upon withdrawal of the legal tender status of the existing INR 500 and INR 1,000 notes, small borrowers may need some more time to repay their loan dues. RBI has decided to provide an additional 60 days beyond what is applicable for the concerned regulated entity (RE) for recognition of loan account as substandard in the following cases:

- Running working capital accounts (Overdraft/Cash credit)/crop loans, with any bank, the sanctioned limit whereof is INR 1 crore or less;
- Term loans, whether business or personal, secured or otherwise, the original sanctioned amount whereof is INR 1 crore or less, on the books of any bank or any NBFC, including NBFC (MFI). This shall include housing loans and agriculture loans;
Note: The limits at (i) and (ii) above are mutually exclusive limits applicable to respective category of loans.
- Loans sanctioned by banks to NBFC (MFI), NBFCs, Housing Finance Companies, and Primary Agricultural Credit Societies ('PACS') and by State Cooperative Banks to District Central Cooperative Banks ('DCCBs');
- The above guidelines will also be applicable to loans extended by DCCBs.

The above dispensation will be subject to following conditions:

- It applies to dues payable between 01 November 2016 and 31 December 2016. REs shall note to ensure that this is a short-term deferment of classification as substandard due to delay in payment of dues arising during the period specified above and does not result in restructuring of the loans;
- Dues payable before 01 November and after 31 December 2016, will be covered by the extant instruction for the respective regulated entity with regard to recognition of Non-performing assets ('NPAs');
- The additional time given shall only apply to defer the classification of an existing standard asset as substandard and not for delaying the migration of an account across sub-categories of NPA.

Click [here](#) for notification.

SEBI Board meeting decisions - 23 November 2016

The SEBI Board took certain decisions in its meeting which, inter alia, include the following:

- Corporate Governance Issues in Compensation Agreements
SEBI has approved the proposal to amend SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations) to enforce disclosures and shareholder approval for all compensation agreements entered into between private equity funds and promoters, directors and key managerial personnel of listed investee



companies, including existing agreements that extend beyond the date of the amendment. The revised norms for such disclosures and shareholder approvals, inter alia, are as follows:

- No employee including key managerial personnel, director or promoter of a listed entity will enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing unless prior approval has been obtained from the Board as well as public shareholders;
- All such agreements entered during the past three years from the date of notification shall be informed to the stock exchanges for public dissemination including those which may not be currently valid;
- Existing agreements entered into prior to the date of notification and which may continue to be valid beyond such date shall be informed to the stock exchanges and approval shall be obtained from public shareholders by way of an ordinary resolution in the forthcoming general meeting;
- Interested persons involved in the transactions shall abstain from voting on the said resolution.

Click [here](#) for press release.

Operational guidelines for Foreign Reinsurers' Branches - 23 November 2016

IRDAI had issued Guidelines for Corporate Governance for insurers in India. IRDAI has further issued a circular stating guidelines/clarifications for proposed Foreign Reinsurers' Branches in terms of Regulation 28(17)(e) of IRDAI (Registration and Operations of Branch Offices of Foreign Reinsurers other than Lloyd's) Regulations, 2015. These guidelines, inter alia, state that:

- An audit firm shall be entitled to carry out statutory audits of not more than four Insurers (Life/Non-Life/Health/Reinsurer) at a time.

The Authority, hereby, relaxes the said stipulation to four audits, where the fourth audit pertains to the branch of a foreign reinsurer. Earlier, such limit was restricted to three insurers. The above relaxation is, however, limited for only one Financial Year starting 01 April 2017.

Click [here](#) for circular.

Regulations under the Insolvency and Bankruptcy code, 2016 - 22 November 2016

MCA had set-up a working group for making recommendations for drafting regulations for registration and regulation of insolvency professionals and insolvency professional agencies envisaged under the Insolvency and Bankruptcy code, 2016. The Insolvency and Bankruptcy Board of India has issued following regulations:

Insolvency and Bankruptcy Board of India (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, 2016

Knowledge Round-up

These regulations have come into force on 22 November 2016.



Click [here](#) for notification.

Insolvency and Bankruptcy Board of India (Insolvency Professional Agencies) Regulations, 2016

These regulations have come into force on 22 November 2016.

Click [here](#) for notification.

Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations, 2016

These regulations will come into force on 29 November 2016.

Click [here](#) for notification.

International

Effective date of IFRS 17 - Insurance contracts - 24 November 2016

The IASB has decided to set the mandatory effective date for IFRS 17, Insurance contracts, as for annual periods beginning on or after 01 January 2021.

Click [here](#) for update.

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