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CORPORATE LEGAL DEVELOPMENTS

NEWSLETTER JUNE 2022

Weekly Insights & Updates

23 June 2022

MCA

1. MCA notifies the National Financial Reporting Authority Amendment Rules, 2022

June 17, 2022: Ministry of Corporate Affairs (“MCA”) vide its notification G.S.R.456 (E) dated June 17, 2022 notified National Financial Reporting Authority Amendment Rules, 2022 (“**Amendment Rules**”) to amend the National Financial Reporting Authority Rules, 2018 (“**NFRA Rules**”).

The NFRA Rules provides for the composition of a National Financial Reporting Authority (“**NFRA**”) which has the power to monitor and enforce compliance with accounting standards and auditing standards, oversee the quality of service or undertake investigation of the auditors of the class of companies and bodies corporate prescribed. The NFRA Rules inter alia are applicable to all listed companies listed in India or outside India; or unlisted companies with paid up capital or loans, debentures, and deposits more than or equal to INR 500 crore or turnover more than or equal to INR 1000 crore; or all banks/insurance/electricity companies; or any company/body corporate on a reference made to the authority by the Central Government in public interest or certain specific foreign subsidiaries/associates of Indian companies. As per the NFRA Rules, the auditors of these companies are required to file their Annual Return to NFRA in Form NFRA-2 on or before April 30th every year.

The existing Rule 13 of the NFRA Rules provides for the punishment in case of non-compliance of NFRA Rules which states that a company or any officer of a company or an auditor or any other person who contravenes any of the provisions of the NFRA Rules, shall be punishable as per the provisions of Section 450 of the Companies Act, 2013. However, vide Amendment Rules, the existing Rule 13 of the NFRA Rules has been substituted to provide that “whoever contravenes any of the provisions of NFRA Rules, shall be punishable with fine not exceeding five thousand rupees, and where the contravention is a continuing one, with a further fine not exceeding five hundred rupees for every day after the first during which the contravention continues.

Link [here](#).

RBI

1. RBI incorporates Microfinance Directions into existing framework of certain regulated entities; updates 3 Master Directions

June 14, 2022: The Reserve Bank of India (“RBI”) had earlier released the Master Directions –

Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, on March 14, 2022 (“**Microfinance Directions**”). Microfinance Directions define ‘microfinance loans’ to mean ‘a collateral-free loan given to a household (i.e., an individual family unit, i.e., husband, wife and their unmarried children) having annual household income up to INR 3,00,000’. RBI aimed to have a uniform regulatory framework to cover microfinance loan as a product, across all regulated entities (including Commercial Banks, Primary (Urban) Co-operative Banks/State Co-operative Banks/District Central Co-operative Banks, Non-Banking Finance Companies, Micro-Finance Institutions, and Housing Finance Companies).

RBI has updated the following sets of Master Directions on June 14, 2022, in line with the Microfinance Directions:

- a. [Master Direction – Non-Banking Financial Company – Housing Finance Company \(Reserve Bank\) Directions, 2021](#);
- b. [Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company \(Reserve Bank\) Directions, 2016](#); and
- c. [Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#).

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