



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (SET UP BY AN ACT OF PARLIAMENT)



2023 MAY

E-NEWSLETTER

**THRISSUR BRANCH**  
OF SOUTHERN INDIA REGIONAL COUNCIL  
OF INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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## INSIDE

02 *Editor's desk*

03 *Chairman's message*

04 *Audit Trail – Management  
and Auditors Responsibility*

07 *Rolling In - Overseas Direct  
Investments*

14 *Glimpses April 23*

## EDITOR'S DESK



Dear members,

I know for sure that all members in practise must have by now finished their bank audit assignments. We all have worked diligently to assess banks' financial health and risk management practices, and banks have used these assessments to improve their operations and protect their customers in a more better way.

As we enter the month of April, we are reminded of the approaching Statutory deadlines. As always, we encourage our readers to stay up to date on the latest tax laws and regulations to ensure a smooth and successful tax filing process.

In this issue of our monthly newsletter, we are pleased to present two insightful articles. The first article, written by CA Satheesh T G, focuses on the mandatory requirement effective from 1st April, 2023, through which every company has to add on the feature of a audit trail in their accounting software in which it maintains its books of account. The article sheds light on the significance of the audit trail, its scope and the measures that auditors has take to comply and report.

The second article, authored by CA Mini Chandran, delves into the complex world of Foreign Exchange Management Act (FEMA). The article discusses the newly formulated Foreign Exchange Management (Overseas Investment) Rules, 2022.

Both articles provide valuable insights into the ever-evolving regulatory landscape that shapes the practice of auditing, taxation and finance. We would like to take this opportunity to thank all of our contributors for their hard work and dedication in producing such high-quality content. As always, we welcome feedback and suggestions from our readers on how we can improve our journal and make it more relevant and useful to the CA community.

*Jai Hind Jai ICAI*

**CA. AJITH KAIMAL R**  
**NEWSLETTER IN CHARGE**

# CHAIRMAN'S MESSAGE

Dear esteemed members,



*“Through our unique contributions, we aim to imbue economic progress with the qualities of resilience and sustainability, ultimately paving the way for a prosperous future for all.”*

By CA Aniket Talati, hon. President of ICAI

In a constantly evolving environment, the Qualities of resilience and sustainability are vital for professional success. Continuous learning and acquiring new skills are the prerequisites for maintaining sustainability.

**In the month of March**, we conducted 17 CPE hours on bank audit, including a full-day Workshop on Excel-bank audit perspective. The month of April, the month of the bank audit, most of the members were out for bank audit assignments. We have nominated past chairman CA Anoop G and past chairman CA Vipin KK as the CPE subcommittee members of the branch. We also nominated past chairman CA Tony M P and CA Mahadevan as taxation subcommittee members.

**In April**, we hosted All Kerala Managing Committee Meeting at our branch and all the representatives from all 9 branches attended. CA Satheesan P chaired the meeting. In light of sweeping changes in CPE credits for members and the no of hours allotted for an online session, members have revisited their earlier decision to conduct a 9-day long online conference (Navarathna). The committee decided to conduct a two-day state conference on a rotational basis, and also decided that the first conference will be hosted by Ernakulam. Apart from member's all Kerala Cricket and Football tournaments, we decided to conduct an Art festival for all Kerala members, which will be hosted by our branch.

**One-day CPE seminar on Union Budget** – first session on Clause by Clause analysis of Income Tax Amendments, Speakers:- CA. Ramanth V (Coimbatore) session chaired by our past chairman CA Varghese C V and the second session on Recent Amendments in GST CA. Tony M P (Thrissur).

**Peer review** - we have decided to conduct two sessions on peer review: the first session on the applicability of peer review and SQC-1 by the past chairman of the branch CA Sony C L session chaired by CA Mahadevan. We have conducted a Special Awareness programme for Foundation Nov 2023 exam Batch. 150 Students participated with their parents. We also started two new batches of foundation with 70 –75 students each and also started a Counseling cell for students at our branch, the first session was held last month; psychologists ADV. Swapna and Mrs Meenu Jobin attended to students individually and covered around 50 students.

**Upcoming programs in the month of May 2023** - Regional Residency Course at Kuttikanam  
Session 2 on peer review - Practical Implementation Aspects on 11-5-2023 at 4 PM at branch premises.  
One-day CPE seminar on Corporate Laws

CA. Jeen Paul  
Chairman

# AUDIT TRAIL – MANAGEMENT AND AUDITORS RESPONSIBILITY



**CA SATHEESH T. G.**

## Introduction

Audit trail has become a hot topic lately, especially since the Institute of Chartered Accountants of India (ICAI) released its implementation guide on Rule 11(g) of the Companies Audit and Auditors Rules. This rule places a significant burden on auditors, as the scope of reporting required under the rule is very broad. It is worth noting that there is no comparable reporting requirement for auditors worldwide, and as a result, there is currently no international guidance available on this subject.

## The Change

On March 24, 2021, MCA amended the Companies (Audit and Auditors) rules to incorporate the new audit trail requirements, which were initially to be implemented in FY 2021. However, in April 2021, the applicability was deferred to FY 2022-23. Furthermore, the Companies (Accounts) Rules were also amended, specifically Rule 3(1), which was initially applicable from FY 2021. This amendment was also deferred twice by MCA, and is now applicable from FY 2023 onwards.

## Management Responsibility

Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 states that for the financial year commencing on or after the 1st day of April 2023, every company which uses accounting software for maintaining its books of account, shall use only such accounting software which has a feature of recording audit trail of each and every transaction, creating an edit log of each change made in the books of account along with the date when such changes were made and ensuring that the audit trail cannot be disabled.

The management has a responsibility for effective implementation of the requirements prescribed by account rules i.e., every company which uses accounting

software for maintaining its books of account, should use only such accounting software which has the following features:

- ☒ Records an audit trail of each and every transaction, creating an edit log of each change made in the books of account along with the date when such changes were made; and
- ☒ Ensuring that audit trail is not disabled.

It is important to note that the accounting software used by a company may be hosted and maintained either within India or outside of India, and may be on-premises or on the cloud, or accessed through a subscription to Software as a Service (SaaS). Furthermore, a company may also be using software that is maintained by a service organization, such as in the case of outsourced payroll processing where a shared service centre may use its own software to process payroll for the company. Audit trail is applicable in those cases also.

### Audit Trail

Audit Trail (or Edit Log) is a visible trail of evidence enabling one to trace information contained in statements or reports back to the original input source.

Audit trails are a chronological record of the changes that have been made to the data. Any change to data including creating new data, updating or deleting data that must be recorded.



## Management Responsibility

Rule 11(g) imposes a responsibility on auditors to report on the audit trail by making a specific assertion in the audit report under the section titled "Report on Other Legal and Regulatory Requirements".

In addition to requiring auditor to comment on whether the company is using an accounting software which has a feature of recording audit trail, the auditor is expected to verify the following aspects:

- ☑ Whether the audit trail feature is configurable (i.e., if it can be disabled or tampered with)?
- ☑ Whether the audit trail feature was enabled/operated throughout the year?
- ☑ Whether all transactions recorded in the software are covered in the audit trail feature?
- ☑ Whether the audit trail has been preserved as per statutory requirements for record retention?

### Accounting Software

AS is a computer program or system that enables recording, maintenance and reporting of books of account and relevant ecosystem applicable to business requirements. The functionality of such accounting software differs from product to product. Every organization today employs multiple software for accounting, its operations and other requirements like consolidation, collection of data..



It may be noted that any software used to maintain books of account will be covered within the ambit of this Rule. For e.g., if sales are recorded in a standalone software and invoices would be covered

under Books of Account as defined under section 2(13) of the Act. Auditors would need to evaluate whether management has also considered such software in their compliance to the Account Rules. Accordingly, any software that maintains records or transactions that fall under the definition of Books of Account as per the section 2(13) of the Act will be considered as accounting software for this purpose.

It is worth noting that companies are obligated to maintain an audit trail or edit log for every modification made in the books of accounts. Therefore, the phrase "all transactions recorded in

### Books of Account

Section 2(13) of the Act

- (i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
- (ii) all sales and purchases of goods and services by the company;
- (iii) the assets and liabilities of the company; and
- (iv) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section;



the software" pertains to all transactions that ultimately cause a change in the books of accounts.

As an illustration, the act of creating a user account in the accounting software could be considered a transaction in the software. However, it does not result in any changes to the records of books of account as defined in Section 2(13) of the Act. On the other hand, creating a new journal entry or modifying an existing one would be deemed as a change

made in the books of account and should be included in the audit trail.

### **Applicability**

Based on the applicability date of the amended audit rules, it can be inferred that the auditor is not obligated to evaluate the suitability of the audit trail for past financial years. The assessment will only be for future financial years.

To clarify, the audit reporting requirement for the audit trail will apply to financial years beginning on or after April 1, 2022. However, the amended Companies Accounts Rules, which also relate to the maintenance of the audit trail, will only become applicable for financial years beginning on or after April 1, 2023. This means that during the financial year 2022-23, there may not be a compliance requirement for companies with respect to the Accounts Rules, and therefore auditors may not be able to report under the Audit Rules for that year.

### **Conclusion**

In conclusion, the implementation of Rule 11(g) of the Companies Audit and Auditors Rules and the amendment to Rule 3(1) of the Companies Accounts Rules by the Ministry of Corporate Affairs has brought about significant changes in the reporting obligations of auditors. The concept of audit trail as gained immense importance, and auditors must ensure that appropriate measures are taken to maintain an accurate and comprehensive audit trail of all transactions that result in a change in the books of account. It is important for companies to assess their accounting software and ensure that it meets the prescribed standards. The implementation of these rules will not only help in maintaining transparency and accountability but also aid in the prevention of fraudulent practices.

CA SATHEESH T G

# ROLLING IN - OVERSEAS DIRECT INVESTMENTS



CA MINI CHANDRAN

A thumping growth of Indian economy lead the Government and RBI to liberalise the policy of Indian investment outside India. In this juncture a revised policy of Overseas Investment rules formulated in 2022.

The philosophy behind the new policy is -Overseas investments by persons resident in India enhance the scale and scope of business operations of Indian entrepreneurs by providing global opportunities for growth. Such ventures through easier access to technology, research and development, a wider global market and reduced cost of capital along with other benefits increase the competitiveness of Indian entities and boost their brand value. These overseas investments are also important drivers of foreign trade and technology transfer thus boosting domestic employment, investment and growth through such interlink ages.

In keeping with the spirit of liberalisation and to promote ease of doing business, the Central Government and the Reserve Bank of India are progressively simplifying the procedures and rationalising the rules and regulations under the Foreign Exchange Management Act, 1999. In this direction, a significant step was taken with operationalisation of a new Overseas Investment regime. The new regime simplifies the existing framework for overseas investment by persons resident in India to cover wider economic activity and significantly reduces the need for seeking specific approvals.

## 1. Introduction

The government has introduced The Foreign Exchange Management (Overseas Investment) Rules, 2022 by suppressing Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 and the Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2015.

## 2. Certain Important terms

### (i) Control

The right to appoint majority of the directors or to control management or policy decisions by virtue of shareholding or management rights or shareholders agreements or voting agreements that entitle them to have 10% per cent or more of voting rights.

### (ii) Debt instruments and non-debt instruments

Debt instruments- Government bonds, Corporate bonds, Non equity tranches of securitisation, borrowings from firm as loan, depository receipts (whose underlying securities are debt securities).

Non-debt instruments-Equity Investments in public, private, listed and unlisted entities, Capital participation in LLPs, Investment recognised by FDI, Investment in units of AIF/REIT/Infrastructure Investment Trust, Investment in Mutual funds and ETF which invest more than 50% in equity, equity tranche of securitisation structure, acquisition, sale or dealing in immovable property, contribution to trusts & depository receipts issued against equity instruments.

### (iii) Financial commitment

The aggregate amount of investment made by a person resident in India by way of:-

-- Overseas Direct Investment

-- Debt other than Overseas Portfolio Investment in a foreign entity or entities in which the Overseas Direct Investment is made

-- Non-fund-based facilities extended by such person to or on behalf of such foreign entity.

### (iv) Indian entity

Indian entity means :-

(i) Company defined under the Companies Act, 2013

(ii) a body corporate incorporated by any law for the time being in force

(iii) a Limited Liability Partnership incorporated under the LLP Act, 2008 and

(iv) a partnership firm registered under the Indian Partnership Act, 1932

(v) Net worth of Registered Partnership firm or LLP  
Net worth of registered Partnership firm or LLP shall be the sum of the capital contribution of partners and their undistributed profits after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the last audited balance sheet.

(vi) Overseas Investment

Any investment made outside India by a person resident in India in a foreign entity engaged in a bona fide business activity, directly or through subsidiary or the SPV (as per structural requirements) subject to the limits and the conditions laid down in the rules.

Provided that Central Government may, on an application of RBI permit financial commitment in strategic sectors, above the limits laid down in these rules.

The RBI, may, in consultation with the Central Government, can:-

(i) change the ceiling for the aggregate outflows for financial commitment or OPI for any financial year.

(ii) change the ceiling limit for approval requirements of financial commitment.

(vii) Overseas Direct Investment (ODI)

Investment by way of:-

-- acquisition of unlisted equity capital of a foreign entity, or

-- subscription to MOA of a foreign entity, or

-- investment in 10% , or more of the paid-up equity capital of a listed foreign entity or

-- investment with control where investment is less than 10%. of the paid-up equity capital of a listed foreign entity;

Clarification- For this clause, Investment once

classified as ODI, shall continue to be treated as ODI even if the investment falls below 10% of the paid-up equity capital or such person loses control in the foreign entity;

(viii) Overseas Portfolio Investment (OPI)

Investment, other than ODI, in foreign securities, but not in any unlisted debt instruments or any security issued by a person resident in India who is not in an IFSC:

Clarification - Provided that OPI made in the equity capital of a listed entity, shall continue to be treated as OPI even after its delisting, until any further investment is made in the entity.

### 3. Rules & Regulations

(i) Non-applicability

Nothing in these rules shall apply to:-

1. Investment made outside India by a financial institution in an IFSC

2. acquisition or transfer of any investment outside India made

-- Out of RFC account

-- Out of foreign currency resources held outside India by a person who is employed in India for a specific duration irrespective of length or for a specific job or assignment, having duration of upto 3 years;

3. In accordance with section 6 (4) of the act.

(ii) Restructuring

A person resident in India who made ODI may permit restructuring of the balance sheet by such foreign entity, which has been incurring losses since last 2 years, subject to conditions such as ensuring compliance with reporting requirements & further ensuring that after restructuring, diminution in the proportionate value of the outstanding dues towards such person on account of investment in equity and debt, not exceed the proportionate amount of the accumulated losses. Provided that in case of diminution, where

-- the original investment is more than USD 10 million or -- diminution amount exceeds 20% of total outstanding dues towards the Indian entity then

dimination shall be duly certified on an arm's length basis by a registered valuer, date of which should not be more than 6 months ago from the transaction, & further submitted to AD bank.

(ii) Restriction on acquisition or transfer of immovable property outside India.

No person resident in India shall acquire or transfer any immovable property situated outside India without permission of the RBI. Provided that nothing contained in this rule shall apply to a property-

(i) held by a person resident in India who is a national of a foreign State

(ii) acquired by a person resident in India on or before the 8th July, 1947 and continued to be held by such person.

(iii) acquired by a person resident in India on a lease not exceeding five years.

(iii) Exception to provision

-- A person resident in India may acquire immovable property outside India by way of inheritance or gift or purchase from a person resident in India who has acquired such property as per the relevant forex provisions.

-- A person resident in India may acquire immovable property outside India from a person resident outside India by way of

(a) inheritance

(b) purchase out of forex held in RFC account

(c) purchase out of the remittances sent under the LRS scheme of RBI

(d) jointly with a relative who is a person resident outside India

(e) out of the income or sale from the assets, other than ODI, acquired overseas.

-- an Indian entity having an overseas office may acquire immovable property outside India for the business and residential purposes of its staff.

-- a person resident in India who has acquired any immovable property outside India may- -- Transfer

such property by way of gift to a person resident in India who is eligible to acquire.

-- create a charge on such property

(iv) Restrictions and prohibitions

An Indian resident is not permitted to make ODI in a foreign entity engaged in real estate activity, gambling or dealing with rupee based financial products without specific approval of RBI.

Clarification- Real estate activity means buying & selling real estate or TDR trading but does not include township development, construction of residential or commercial premises, roads or bridges for selling or leasing.

Any ODI in start-ups shall be made only from the internal accruals whether from own funds or from their group or associate companies in India in case of Indian entity & in case of resident individuals, from own funds of such individual.

A person resident in India shall not make financial commitment directly/indirectly in a foreign entity that has invested or invests into India, at or after making such financial commitment, which results in more than 2 layers of subsidiaries. Provided that such restriction shall not apply to -

-- Banking company

-- Systematically Important NBFC

-- Insurance company

-- Government company

(v) Transfer or liquidation

An person resident in India holding equity capital, may transfer such investment, by way of sale to a person resident in India, being an eligible investor or to a person resident outside India.

If the transfer is on account of merger, amalgamation, demerger or buyback, then approval of the competent authority should be taken as per the applicable laws in India or the laws of the host country, as the case may be.

Where the disinvestment by a person resident in India is in respect of ODI-

- In case of full disinvestment, other than liquidation, transferor shall not have any dues outstanding for receipt (whether as equity or debt).
- the transferor must have stayed invested for at least 1 year from the date of making ODI. Exception
- The above conditions shall not be applicable in case of a merger, demerger or amalgamation
- Between 2 or more foreign entities that are wholly-owned, directly or indirectly, by the Indian entity or
- where there is no change or dilution in aggregate equity holding of the Indian entity in the merged or demerged or amalgamated entity.

(vi) No Objection Certificate.

The person resident in India having an account appearing as NPA or classified as willful defaulter by any bank or is under investigation by a financial service regulator/the CBI/DOE/SFIO, shall before making any financial commitment or disinvestment, obtain a NOC from such authority. Provided that where the concerned authority fails to furnish such NOC within 60 days then it may be presumed that there was no objection to the proposed transaction.

#### 4. Schedule I - Manner of making ODI by Indian entity

##### (i) Manner of making ODI

An Indian entity may make ODI by way of investment in equity capital by following ways such as--

- subscription to MOA or purchase of equity capital, listed or unlisted
- acquisition through bidding or tender
- Acquisition by rights issue or bonus shares
- capitalisation of any amount due towards Indian entity from foreign entity, within time period, remittance of which is permitted under the act.
- swap of securities
- merger, demerger, amalgamation or any scheme of arrangement
- As per act or regulation issued

##### (ii) ODI in financial services activity

Investment in foreign entity which is directly or indirectly engage in financial services--

- By an Indian entity engaged in financial services activity in India, subject to the conditions that it :
  - has net profits during the preceding 3 financial years
  - is registered with or regulated by a financial services regulator in India
  - has taken approval from such regulators in India & in host country for engaging in financial services.
- By an Indian entity not engaged in financial services activity in India, subject to following conditions that it--:
  - has net profits during the preceding 3 financial years
  - Investment shall not be made in entity engaged in the banking or insurance services.
  - However such entity can also make ODI in IFSC, irrespective of compliance of the above net profit condition.

Exception -Provided that an Indian entity not engaged in the insurance sector may make ODI in general and health insurance only if such insurance business is supporting the core business activity undertaken by Indian entity outside India.

##### (iii) COVID relaxation

If an Indian entity does not meet the above net profit requirements due to the impact of Covid- 19 during financial year 2021 & 2022, then the financial results of such period may be excluded for considering the profitability period of 3 years which can be extended by RBI.

Note -: Overseas Investment made by banks and NBFCs regulated by the RBI shall be subject to the conditions laid down by the RBI in this regard.

##### (iv) Financial Commitment

Maximum limit of making financial commitment by an Indian entity in all the foreign entities taken together is 400 % of net worth as on the date of the last audited balance sheet.

Such financial commitment shall not include capitalisation of retained earnings but shall include -

- utilisation of the amount raised by the issue of ADR & GDR & stock-swap of such receipts.
- utilisation of the proceeds from ECB upto the

amount of pledge or creation of charge on assets to raise such borrowings to the extent it has not recognised in the above limit.

Provided that the above limit will not apply to the financial commitments made by Maharatna/Navratna/Miniratna or foreign subsidiaries of such PSUs engaged in strategic sector.

#### 5. Schedule II - Manner of making Overseas Portfolio Investment by an Indian entity

-- An Indian entity may make OPI upto 50% of its net worth per last audited balance sheet.

-- Listed Indian company - may make OPI including by way of reinvestment.

-- An unlisted Indian entity - may make OPI only under clauses (iii), (iv), (v) and (vi) as mentioned above in respect of ODI by an Indian entity.

#### 6. Schedule III - Manner of making Overseas Investment by resident individual:-

##### (i) Manner of making ODI

-- Any resident individual may make ODI by way of investing in equity capital or OPI in accordance with requirements of Schedule & upto the ceiling limit under LR Scheme of RBI.

-- Investment can be by ways such as-

1. capitalisation of any amount due towards Indian entity from foreign entity, within time period, remittance of which is permitted under the act.

2. swap of securities on account of a merger, demerger, amalgamation or liquidation

3. Investment in equity by way of rights issue or bonus shares

4. Gift

5. Inheritance

6. Acquisition of sweat equity shares or under Esops or Employee benefit scheme

7. Acquisition of such minimum no. of shares issued to hold management post in a foreign entity. Provided that ODI in respect of points (5), (6) & (7) may be made in a foreign entity whether or not such foreign entity is engaged in financial services activity or has subsidiary or step down subsidiary where the resident individual has control:

Provided further that the acquisition of less than 10% of the equity capital (listed or unlisted) of a foreign entity without control in above (5) & (6) points shall be treated as OPI.

##### (ii) Acquisition by way of gift or inheritance

A resident individual may, without any limit, acquire foreign securities

-- by way of inheritance from a person resident in or Outside India.

-- by way of gift from a relative resident in India

-- by way of gift from a person resident outside India in accordance with the provisions of the FCRA, 2010.

##### (iii) Acquisition of shares or interest under ESOPs or Employee Benefits Scheme or sweat equity shares

A resident individual, who is an employee or a director of an office, branch or subsidiary of such overseas entity in India or an Indian entity in which such overseas entity has direct or indirect (through SPV) equity holding, may acquire, without limit, shares under ESOPs or Employee Benefits Scheme or sweat equity shares issued by such entity provided that such issue was made globally on a uniform basis.

#### 7. Schedule IV-Overseas Investment by person resident in India other than Indian entity and resident Individual

##### (i) ODI by Registered Trust or Society

Any person being a registered Trust or a registered Society engaged in the educational sector or which has set up hospitals in India may make ODI in a foreign entity post RBI approval & subject to the following conditions, namely:-

-- the foreign entity is engaged in the same sector that the Indian Trust or Society is engaged in

-- Such trust or the Society should have existence for at least 3 financial years before the year in which such investment is being made

-- The trust deed of Trust or bye-laws of the Society shall permit the proposed ODI

-- Requisite approvals had been taken from trustees of Trust or the governing body of the Society as case maybe If such Trust or Society require special permission from the MHA, CG or any local

authority, as the case may be, then the same should be obtained & submitted to AD bank.

(ii) OI by Mutual Funds or Venture Capital Funds or Alternative Investment Funds

A mutual fund or Venture Capital Fund or Alternative Investment Fund may acquire or transfer foreign securities in accordance with the aggregate limit which shall be decided by the RBI & as per individual limits for such investments which shall be as per the instructions issued by SEBI. Further every transaction relating to purchase & sale shall be routed through the designated AD bank in India & such investments will be treated as OPI.

(iii) Opening of Demat Accounts by clearing corporations of stock exchanges and clearing members.

Any person, being a SEBI approved clearing corporation of a stock exchange and its clearing members, may acquire, hold and transfer foreign securities, offered as collateral by foreign portfolio investors

and subject to the guidelines issued by the SEBI from time to time, for opening and maintaining Demat Account, remitting the proceeds & liquidate such foreign securities and repatriate the proceeds to India.

Acquisition and transfer of foreign securities by domestic depository.-

A domestic depository may acquire, hold and transfer foreign securities to issue IDR, as may be authorised by such foreign entity or its overseas custodian bank. Further the investor of such IDR may either

sell or continue to hold such foreign securities upon conversion of such depository receipts.

iv) Acquisition and transfer of foreign securities by AD bank

An AD bank including its overseas branch may acquire or transfer foreign securities in the normal course of its banking business & as per the terms of host country.

8. Schedule V-Overseas Investment in IFSC by person resident in India

A person resident in India may make Overseas Investment in an IFSC in India within the limits & in the manner as laid down in Schedule I, II, III & IV. Provided that:

-- the approval by the financial services regulator shall be obtained within 45 from the receipt of application, failing to which shall be treated as deemed approval.

-- Investment can also be made by contributing to investment fund or vehicle set up in an IFSC as OPI  
-- a resident individual may make ODI in a foreign entity, including an entity engaged in financial services activity, (except in banking and insurance), in IFSC if such entity does not have subsidiary or step down

subsidiary outside IFSC where the resident individual has control in the foreign entity.

A recognised stock exchange in the IFSC shall be treated as a recognised stock exchange outside India.

Under the new overseas investment rules, an option is given to regularise the delay of up to 3 years in filing of Form ODI/Form FC/APR, FLA Returns, Form OPI, evidence of investment or any other return by

making payment of Late Submission Fees (LSF) which is a nominal charge as under:

Penalty for non-compliance with new ODI/OPI rules

Table with 3 columns and 3 rows. Currently displaying rows 1 to 3.

Sr. No.	Type of Reporting Delay	LSF Amount (Rs)
---------	-------------------------	-----------------

1	Form ODI Part-II/ APR, FLA Returns, Form OPI, evidence of investment or any other return	Rs 7,500
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2	Form ODI-Part I, Form ODI-Part III, Form FC, or any other return	[Rs 7,500 + (0.025% * A * n)]
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A is amount involved in delayed reporting;

n is the number of years of delay in submission rounded-upwards to nearest month and expressed up to 2 decimal points; Maximum LSF amount to be limited to 100% of A and will be rounded upwards

upwards to nearest hundred Note: Restriction on further Financial Commitment (FC) or transfer till any delay in reporting is regularised.

Under the new overseas investment rules, filing of Annual Performance Report is not required for an Indian resident if holding is less than 10% equity capital in foreign entity, there is no control over the entity and the investor does not have financial commitments other than by way of equity capital in such foreign entity. This shall result in reduced compliance cost of initial reporting of investment in form ODI/form FC as well as annual reporting in APR.

Risks involved

Hindrance of domestic investment

ODI creates a good level of competition between domestic and foreign organisations.

The risk from political changes

With the change of political parties in power, the rules and regulations change. This creates a direct impact on investments in foreign land and affects the interest of investors.

Inflation and Exchange crises-

Such investments might lead to the devaluation of exchange rates for a nation and overvaluation for another nation.

Inflation reduces the demand and purchase of goods and the export of goods. The reduction in export devalues the domestic currency.

Economic non-viability

Capital intensive investments may be dangerous.

Trade Deficit

A trade deficit occurs when the value of a country's imports is more than the value of its exports.

However, the glitters to the economy cannot be overlooked by the liberalised Overseas Direct Investment policy. The risks involved if could be hedged would accelerate the investors wallet and in direct proportion to the Indian economy.

CA. MINI CHANDRAN

# Glimpses

## APRIL 23



26.04.2023

CPE STUDY CIRCLE ON PEER REVIEW - SESSION1 - APPLICABILITY AND SQC1 & PANEL DISCUSSION

FACULTY :- CA. SONY C L (THRISSUR)

PANELISTS :-CA. SONY C L, CA. MAHADEVAN N V



29.04.2023 ONE - DAY CPE SEMINAR AND PANEL DISCUSSION ON "UNION BUDGET - CLAUSE BY CLAUSE ANALYSIS OF INCOME TAX AMENDMENTS AND RECENT AMENDMENTS IN GST

FACULTIES:- CA. RAMANTH V (COIMBATORE) CA. TONY M P (THRISSUR)

# Glimpses

## APRIL 23



16.04.2023

CONDUCTED COUNSELLING FOR STUDENTS  
BY PSYCHOLOGISTS MRS. SWAPNA VINOD & MRS. MEENU M S.



29.04.2022 CONDUCTED ALL KERALA BRANCHES MANAGING COMMITTEE MEMBERS MEET,  
30 MEMBERS PARTICIPATED IN THE PROGRAMME,  
CHIEF GUEST: - CA. SATHEESAN P, PAST SICASA CHAIRMAN SIRC



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