



Recap of Recent Regulatory & Legal Updates

(November, 2023)

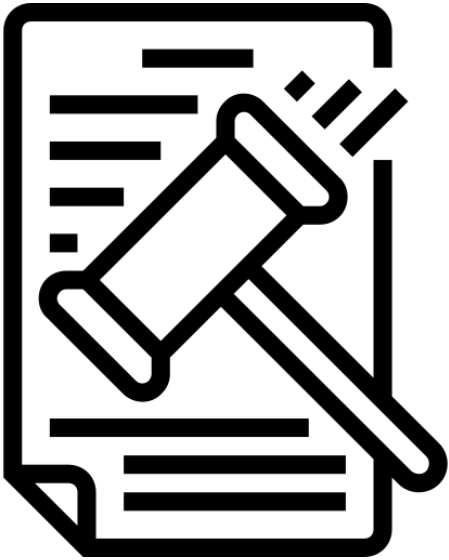


Regulatory Company Law

updates:



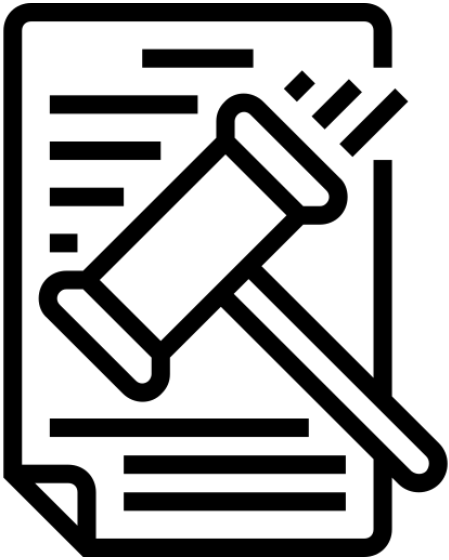
Removal of the Provision for Regional Directors (RDs) to Impose Costs



- Previously, Regional Directors had the authority to impose costs when a company shifted its registered office from one state to another.
- Now, the MCA has amended the Incorporation Rules to remove the provision for RDs to impose costs when a company shifts its registered office from one state to another.



Easy Shifting of Registered Office with new management in insolvent companies



- It relaxes the restrictions on shifting the registered office of a company when new management takes control of the company under a resolution plan approved under Section 31 of IBC, 2016.
- Several conditions need to be met for this shifting to be permitted:
 - a) There should be no pending appeals against the resolution plan in any Court or Tribunal.
 - b) No inquiries, inspections, or investigations should be pending or initiated after the approval of the resolution plan.
- If these conditions are satisfied, the company may be allowed to change its registered office location without additional hurdles.



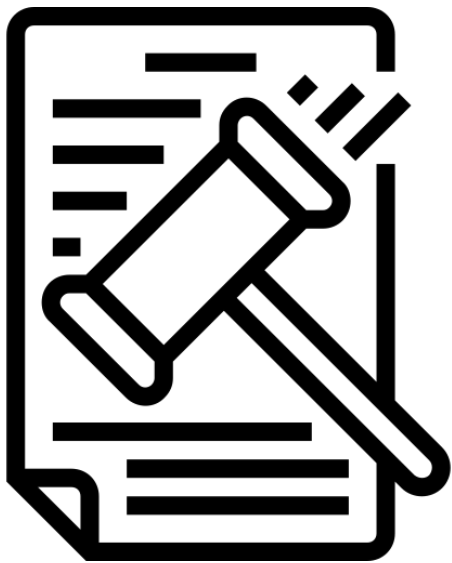
Mandate for Dematerialization of Securities in Private Companies (Except Small Companies)



- Private companies, except small companies, are now mandated by the MCA to issue securities in dematerialized form, adhering to the Depositories Act, 1996, and its regulations.
- Companies that are not classified as small companies based on their financial statements ending after **March 31, 2023**, must comply with this requirement within 18 months i.e. by **September 30, 2024**.



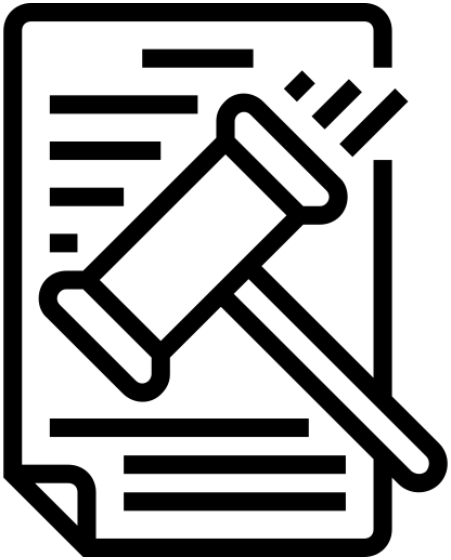
Mandate for Dematerialization of Securities in Private Companies (Except Small Companies)



- **After September 30, 2024**, such private companies making offers for securities, buybacks, bonus shares, or rights offers must ensure that their promoters, directors, and KMPs have dematerialized their entire securities.
- Existing securities holders must also dematerialize their holdings before transferring or subscribing to new securities.



Mandate for Dematerialization of Securities in Private Companies (Except Small Companies)



- Provisions regarding ISIN, depository and RTA fees, and filing of half-yearly reconciliation shall apply. These are standard requirements for dematerialized securities.
- **Exemption:** The requirements for dematerialization of securities do not apply to government companies.



Mandate for Dematerialization of Securities in Private Companies (Except Small Companies)



- **Applicability to Newly Incorporated Companies:** Does Rule 9B apply to companies incorporated after March 31, 2023?
- **Acceptance of Physical Mode:** Can a private company, excluding small companies, continue to make offers for securities, buybacks, bonus shares, or rights offers in physical form before September 30, 2024?
- **Retention of Physical Shares:** After September 30, 2024, can a company keep its shares in physical form if it does not intend to make any offers or transfer the shares?



Mandate for Dematerialization of Securities in Private Companies (Except Small Companies)



- **Change in Small Company Status:** If a company was classified as a non-small company solely due to its subsidiary relationship as of March 31, 2023, and that relationship has since ended, does the company still need to comply with Rule 9B provisions?
- **Filing of Half-Yearly Reconciliation (Form PAS-6):** From what date does a private company, subject to Rule 9B, need to begin filing half-yearly reconciliations in Form PAS-6?



Mandate for Dematerialization of Securities in Private Companies (Except Small Companies)



- **Transition for Companies Re-Categorized as Non-Small Companies:** If a company transitions from being a small company to a non-small company after March 31, 2023, due to an increase in paid-up share capital, what is the transitional period for compliance with Rule 9B?
- **Transition for Companies Becoming Non-Small Companies After March 31, 2024:** What is the transitional period for a company that is categorized as a non-small company after March 31, 2024?



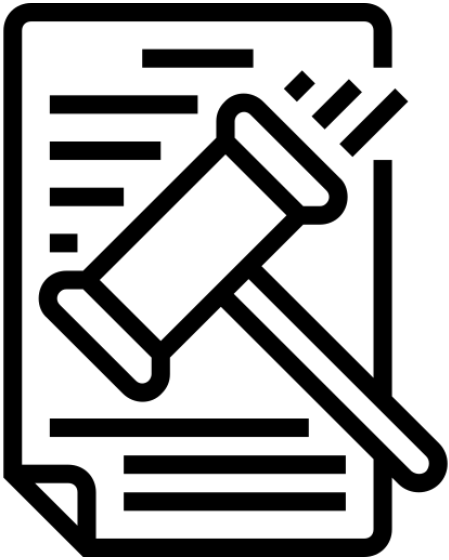
Mandate for Dematerialization of Securities in Private Companies (Except Small Companies)



- **Mandatory Demat for Further Subscriptions:** Is it mandatory to issue further subscriptions in dematerialized form from the date of the notification until September 30, 2024?
- **Applicability to Wholly Owned Subsidiaries of Private Companies and Foreign Shareholders:** Do these provisions apply to wholly-owned subsidiaries of private companies and foreign shareholders?
- **Consequences of Non-Compliance on Directors, Shareholders, and Companies:** What are the consequences of non-compliance with these rules for directors, shareholders, and the company itself?



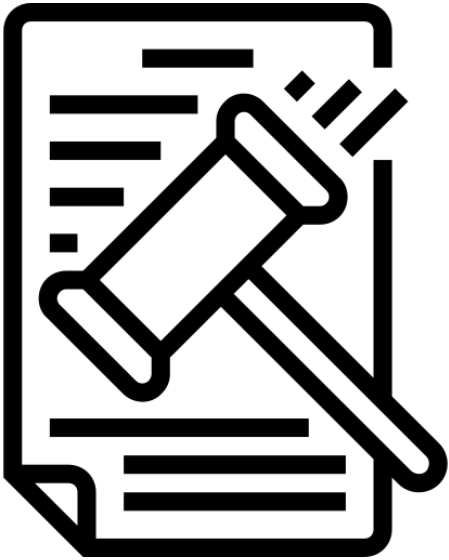
Share Warrants Conversion for Public Companies



- Every public company which issued share warrants prior to the commencement of the Companies Act, 2013 and not converted into shares shall inform the Registrar about the details of such share warrants in **Form PAS-7 by 27th January, 2024.**
- Bearers of the share warrants to surrender such warrants to the company and get the shares dematerialised in their account by **27th April, 2024.**



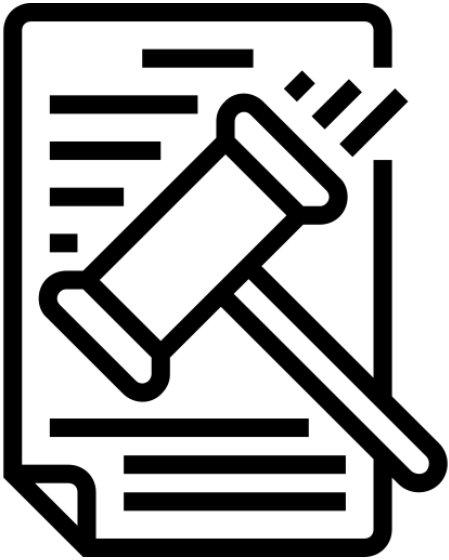
Share Warrants Conversion for Public Companies



- Such company must publish a notice in **Form PAS-8** on its website, if any in local and English newspaper.
- If any bearer does not surrender the share warrants by **27th April, 2024**, the company must convert the warrants to a dematerialized form and transfer them to the IEPF.



MCA Mandates Designation for Reporting Beneficial Share Interests



- Every company shall designate an individual responsible for reporting beneficial interests in its shares to the Registrar.
- The choice for this role can be a company secretary (if required), a KMP, or every director (if there is no CS or KMP).
- Until a specific person is designated, company secretary (if required), every MD or Manager (where there is no CS), or every director (where there is no CS or MD or Manager), shall be deemed designated person.
- This information must be included in the annual return. Any changes to the designated person must be promptly communicated to the Registrar using e-form GNL-2.



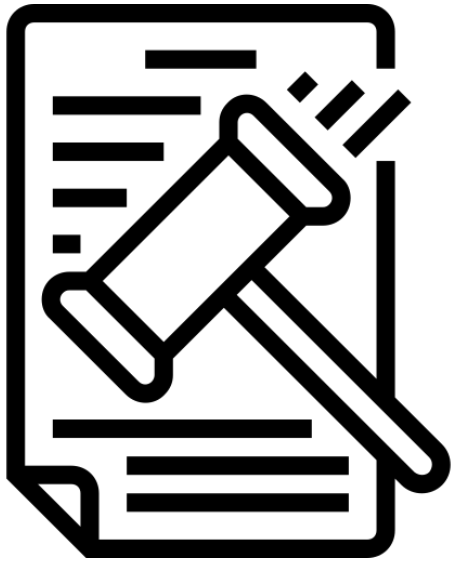
MCA Mandates Designation for Reporting Beneficial Share Interests



Since the Notification is pursuant to Section 89, whether intimation of SBO governed by Section 90, is required to be given to MCA?



Enforcement of the provisions relating to listing of securities on foreign stock exchanges



MCA has enforced the amendments made by **Section 5 of the Companies (Amendment) Act, 2020** which provides the following:

- A class of public companies will be allowed to list certain class of securities on stock exchanges in permissible foreign jurisdictions or such other jurisdictions, as may be provided by rules.
- The Central Government has been empowered to exempt, by notification, any class or classes of public companies referred to above from any of the provisions of **Chapter III (Prospectus and Allotment of Securities)**, **Chapter IV (Share Capital and Debentures)**, **section 89 (Declaration in respect of beneficial interest in any share)**, **section 90 (Register of significant beneficial owners in a company)** or **section 127 (Punishment for failure to distribute dividends)** of the Act.



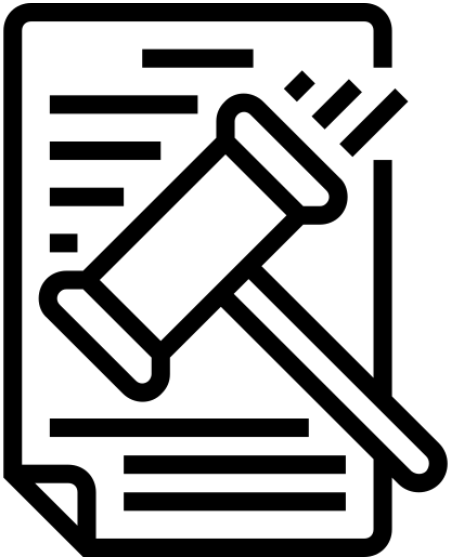
MCA mandates register maintenance and declaration of beneficial interest in LLPs



- Limited Liability Partnerships (LLPs) must maintain a Register of Partners in **Form 4A**, which is to be kept at the LLP's registered office.
- Existing LLPs are required to ensure the maintenance of their partner register within 30 days, specifically by **November 26, 2023**.



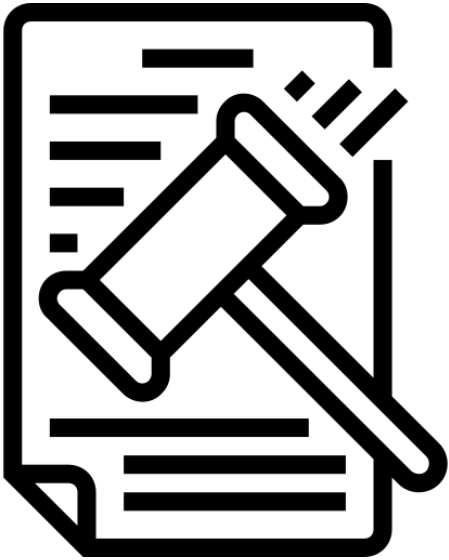
MCA mandates register maintenance and declaration of beneficial interest in LLPs



- Registered partners, individuals whose names are listed in the partner register but have no beneficial interest in contributions, must submit a declaration (**Form 4B**) within 30 days of their inclusion, specifying those with the beneficial interest.
- If any changes occur in this interest, registered partners must report them within 30 days in **Form 4B**.



MCA mandates register maintenance and declaration of beneficial interest in LLPs



- Beneficial partners, those with beneficial interests but not registered as partners, should declare these interests within 30 days in **Form 4C**, including details about the nature of the interest and the partner in whose name the contribution is registered.
- Any changes must also be reported in **Form 4C**.
- A designated partner responsible for sharing information about beneficial interests with the Registrar must be specified. Until a designation is made, every partner is deemed responsible for providing this information.



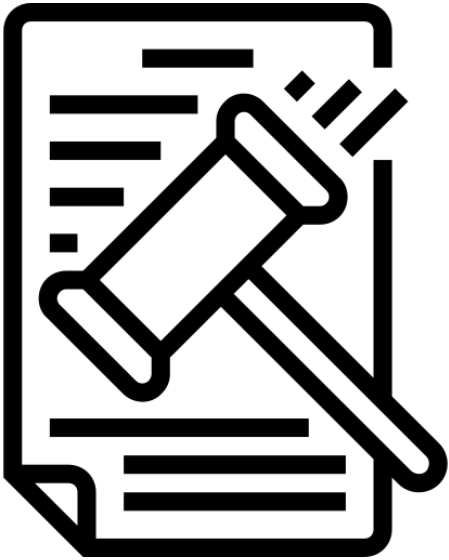


Securities Relaxation Timelines under LODR

Laws: in



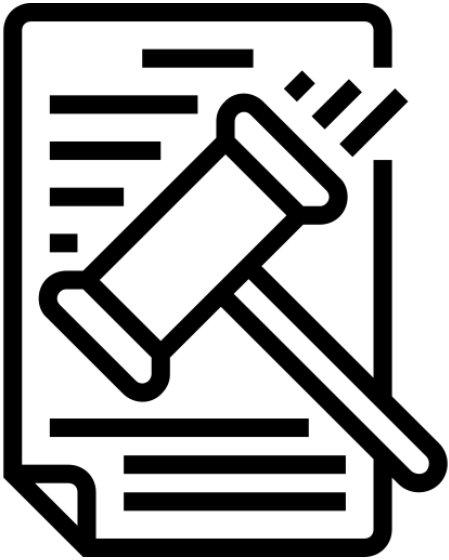
Extension of timeline for verification of market rumours by listed entities



- The proviso to Regulation 30(11) requires top 100 listed entities by market capitalization with effect from October 1, 2023 and top 250 listed entities by market capitalization with effect from April 1, 2024 to mandatorily verify and confirm, deny or clarify market rumours.
- Now, the SEBI has extended the effective date of implementation of the proviso to regulation 30(11) of the LODR Regulations for top **100 listed entities** by market capitalization, to **February 1, 2024** and for **top 250 listed entities** by market capitalization, to **August 1, 2024**.



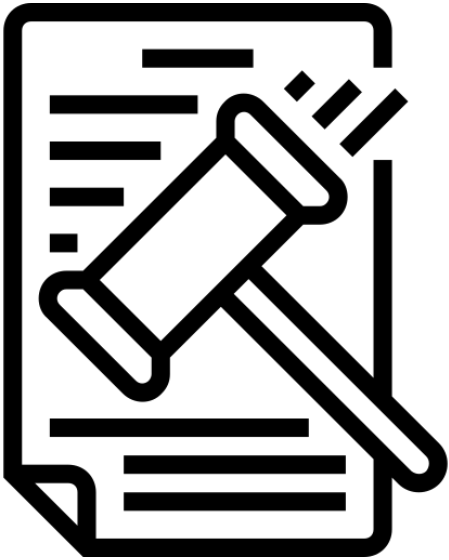
Relaxation from compliance with certain provisions of the SEBI (LODR) Regulations, 2015



SEBI has extended the relaxation on the applicability of regulation 36(1)(b) for Annual General Meetings (AGMs) and regulation 44(4) for general meetings (in electronic mode) held till **September 30, 2024**. Earlier, the last date was September 30, 2023.



Relaxation from compliance with certain provisions of the SEBI (LODR) Regulations, 2015



- Regulation 58(1)(b) of SEBI (LODR) Regulations, 2015 provides that a listed entity shall send a hard copy of the statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 and rules made thereunder to those holders of non-convertible securities who have not so registered.
- SEBI has relaxed such requirements up to **September 30, 2024**.





NBFC Amendments: Information

Related Credit



Strengthening of Customer Service



- Applicable on all NBFCs, Credit Information Companies, ARCs, commercial banks (excluding payments banks), primary/ state/ central co-operative banks.
- Effective from 6 months from the date of circular ie. from **April 26, 2024**.



Strengthening of Customer Service

Responsibilities of Credit Institutions (CIs)

- **SMS Alerts** to customers while submitting information regarding Default/DPD, when mobile numbers are available.
- dedicated **nodal point/ official of contact for CICs** for redress of customer grievances and their details along with email and telephone/mobile number be furnished by CIs to CICs. Any changes in the nodal points/ official within five (5) calendar days of such a change to be communicated to CICs.
- **Root cause analysis** to be undertaken of customer grievances at least on a half yearly basis. Analysis to be reviewed by top management at least on annual basis.
- **Reasons for rejection** of data correction request to be informed to the customers.



Strengthening of Customer Service

Responsibilities of Credit Information Companies (CICs)

- **SMS Alerts** to customers when their CIR is being accessed by specified users, wherever mobile number/ email ID of customers are available.
- CICs shall have a board-approved policy for undertaking **periodic review** (at least on a half-yearly basis) of the 'Search & Match' logic algorithm implemented by them to provide Credit Information Report (CIR) of a borrower
- CICs shall **ingest credit information data** received from the Credit Institutions (CIs) as per its data acceptance rules, into their databases within seven (7) calendar days of its receipt from the CIs. In case of data rejection, CICs shall communicate to the concerned CI, regarding rejection of the data with reasons, within seven (7) calendar days of receipt of the data.



Strengthening of Customer Service



Responsibilities of Credit Information Companies (CICs)

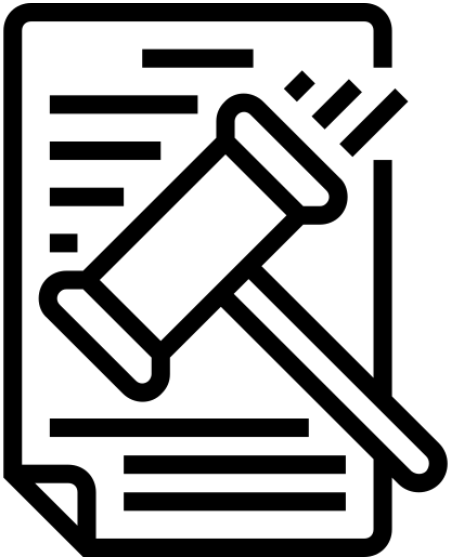
- **Disclosure of complaints** against them on their websites as per specified format.
- CICs to **provide easy access** to Free Full Credit Report¹ (FFCR) including credit score, once in a year (January- December), to individuals whose credit history is available with the CIC.



Compensation to customers for delayed updation/rectification of credit information

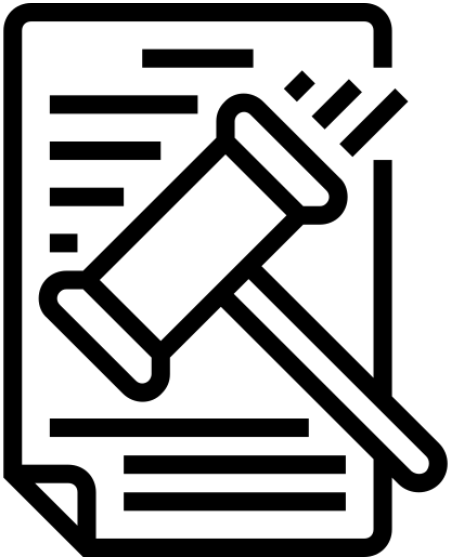
Duties of CIC/ CI

- Complainants shall be entitled to a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of **30 calendar days** from the date of the initial filing of the complaint by the complainant with a CI/ CIC.
 - A CI shall pay compensation to the complainant if the CI has failed to send updated credit information to the CICs by making appropriate correction or addition or otherwise within **21 calendar days** of being informed by the complainant or a CIC.
 - A CIC shall pay compensation to the complainant if the CIC has failed to resolve the complaint within **30 calendar days** of being informed by the complainant or a CI, despite the CI having furnished the updated credit information to the CIC within **21 calendar days** of being informed by the complainant or the CIC.



Compensation to customers for delayed updation/rectification of credit information

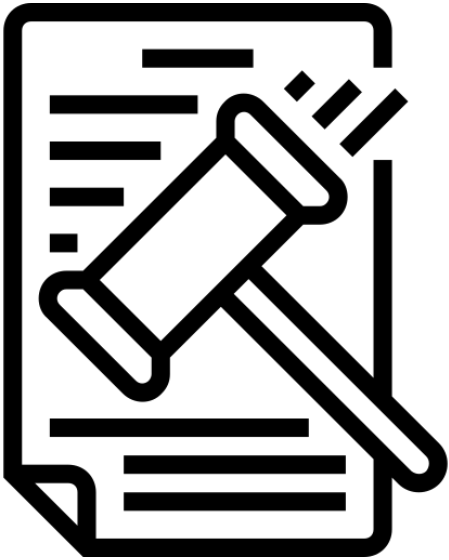
Duties of CIC/ CI



- Compensation to be credited within to bank account of complainant within 5 working days of resolution of the complaint.
- Complainant can approach RBI ombudsman under RBI integrated ombudsman scheme, 2021 in case of wrongful denial of compensation by CIs and CICs. And for cases not covered under the scheme, complainant can approach CEPC functioning from regional offices of RBI.



Compensation to customers for delayed updation/rectification of credit information



- Complainant to be advised by CI/CIC on action taken on complaints
- Compensation to be apportioned among CI/CIC proportionately.
- CICs to coordinate with all CIs concerned and furnish complainant with comprehensive resolution of grievance.
- CICs and CIs to inform each other and complainant after final resolution, regarding total delay and amount of compensation being paid.
- Date of resolution is the date when rectified CIC is sent by CIC/CI.
- Appropriate provision to be made in complaint submission format to enable submission of contact details, bank accounts, UPI details etc.



Compensation to customers for delayed updation/rectification of credit information



Non-applicability of the framework

- Disputes when remedy has been provided under section 18 of CICRA, 2005
- Complaints relating to internal administration, HR, pay and emoluments of staff, references in nature of suggestions and commercial decisions of CIC/CI
- Regarding computation of credit score/credit score model
- Complaints already pending in Consumer Dispute Redressal Commission, Courts, Tribunals, etc.



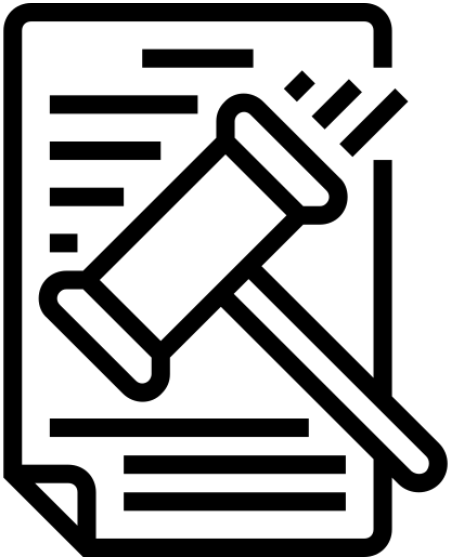


NBFC
Amendments:
Outsourcing
Financial services

Related
of



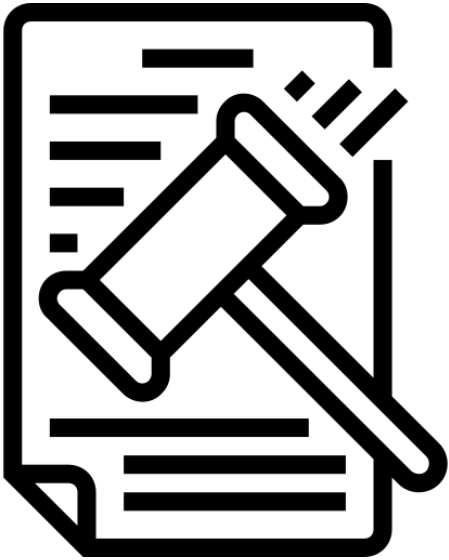
Outsourcing of Financial services



- Draft directions for review
- For managing risk and code of conduct in outsourcing of financial services and subcontracted activities
- Not applicable to technology related aspects and activities not related to banking/financial services
- No requirement of prior approval from RBI, however subject to on-site/off-site monitoring



Outsourcing of Financial services: New provisions



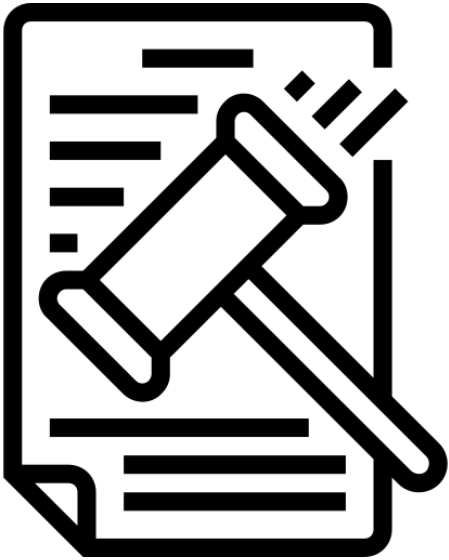
- Outsourcing within a Centralized list of BCP and disaster recovery
- Reporting to supervisory authority
- Monitoring and control of outsourced activities
- Redressal of grievances related to outsourced services
- Centralized list of outsourced agents





NBFC Amendments: **SBR** Related





- Effective date
- Provisions made stringent
- Immediate actionable

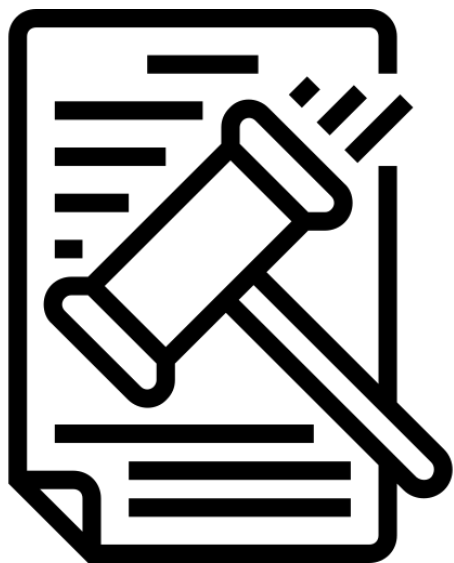


NBFC Amendments: Master Direction

**Related
KYC**



KYC Master Direction



- Identification criteria for BO for partnership firm changed
- Principal officer
- ARCs explicitly mentioned now
- Time period of obtaining information from third party or CKYC
- Monitoring of account when opened by NBFCs
- CDD procedure for trust
- Accounts of politically exposed persons
- Preservation and reporting of customer account information
- FCRA provisions



THANK YOU