# Newsletter (Corporate Laws) 19th August to 7th September 2019

**AMRG & ASSOCIATES** 

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### CHORONOLOGICAL ORDER OF THE UPDATES

S. No.	Date	Туре	Particulars of updates	
1.	19/08/2019	Press Release	Government removes requirement of maintaining Debenture Redemption Reserve(DDR) for Listed Companies, NBFCs and HFCs	
2.	19/08/2019	Circular	Penalties specified for Non-Compliance of certain provisions of ICDR imposed by the Stock Exchange	
3.	28/08/2019	Notification	MCA notified form RD-1(Approval of Regional Director for the Conversion of Public Limited Company into Private company) and RD GNL-5 (Rectification of defects or incompleteness)	
4.	06/09/2019	Notification	Date Extended for filling Form NFRA-2 from 30 <sup>th</sup> April to 30 <sup>th</sup> November by the Auditor covered under NFRA Rules 2018	
5.	06/09/2019	Notification	Gifts received by Government Functionaries from Domestic/Unknown Sources to be deposited in UPHAR SANGRALAYA	

# 1. GOVERNMENT REMOVES REQUIREMENT OF MAINTAINING DEBENTURE REDEMPTION RESERVE (DDR) FOR LISTED COMPANIES, NBFCS AND HFCS

### PIB PRESS PELEASE, DATED 19-8-2019

The Ministry of Corporate Affairs has amended the Companies (Share Capital & Debentures) Rules by removing Debenture Redemption Reserve requirement for Listed Companies, NCFCs and HFCs.

Through these amendments, the provisions relating to creation of Debenture Redemption Reserve (DRR) have been revised with the objective of;

- a. removing the requirement for creation of a DRR of 25% of the value of outstanding debentures in respect of listed companies, NBFCs registered with RBI and for Housing Finance Companies registered with National Housing Bank (NHB) both for public issue as well as private placements;
- b. Reduction in DRR for unlisted companies from the present level of 25% to 10% of the outstanding debentures.

The measure has been taken by the Government with a view to reducing the cost of the capital raised by companies through issue of debentures and is expected to significantly deepen the Bond Market. The rules, while retaining DRR requirement for Unlisted Companies, provide for reduction from a DRR of 25% to a DRR of 10% for such companies, so as to safeguard interests of investors.

# 2. PENALITIES SPECIFIED FOR NON-COMPLIANCE OF CERTAIN PROVISIONS OF ICDR IMPOSED BY THE STOCK EXCHANGE

### CIRCULAR NO. SEBI/HO/CFD/DIL2/CIR/P/2019/94, DATED 19-8-2019

Regulation 297 and 298 of SEBI (ICDR) Regulations, 2018, *inter alia* specify liability of a listed entity or any other person for contravention and actions which can be taken by the respective stock exchange, the revocation of such actions and consequences for failure to pay fine in the manner specified by SEBI.

Penalties to shown under below table:

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**TABLE** 

S/NO	VIOLATION	REGULATION/S CHEDULE	FINE				
1.	<ul> <li>Within 15 days from the date of approval of the issue by its board of directors – in cases where shareholders' approval for capitalization of profits or reserves for making the bonus issue is not required.</li> <li>Within 2 months from the date of the meeting of its board of directors wherein the decision to announce bonus issue was taken subject to shareholders' approval – in cases where issuer is required to seek shareholders' approval for capitalization of profits or reserves for making the bonus issue.</li> </ul>	295(1)	Rs.20,000 per day of non-compliance till the date of compliance.				
2.	Listed entities not completing the conversion of convertible securities and allotting the shares, within 18 months from the date of allotment of convertible securities	162	Rs.20,000 per day of non- compliance till the date of compliance.				
3.	As per Schedule XIX - Para (2) under heading Application for listing, it is stated that: "The issuer shall make an application for listing, from the date of allotment, within such period as may be specified by the Board from time to time, to one or more recognized stock exchange(s)".  In regard to above, it is specified that Issuer shall make an	Schedule XIX - Listing of Securities on Stock Exchanges	Rs.20,000 per day of non- compliance till the date of compliance				

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	application to the exchange/s for listing in case of further issue of equity shares from the date of allotment within 20 days (unless otherwise specified).		
4.	Listed entities shall make an application for trading approval to the stock exchange/s within 7 working days from the date of grant of listing approval by the stock exchange/s.	-	Rs.20,000 per day of non- compliance till the date of compliance.

The amount of fine realized as per the above structure shall continue to be credited to the "Investor Protection Fund" of the concerned stock exchange. The recognized stock exchange shall disseminate on their website the names of non-compliant listed entities that are liable to pay fine for non-compliance, the amount of fine imposed, details of fines received, etc. The recognized stock exchange shall issue notices to the non-compliant listed entities to ensure compliance and collect fine as per this circular within 15 days from the date of such notice.

### **Bonus Issue Delays:**

With respect to bonus issue delays, it is clarified that:

- (a) The approvals for the listing and trading of promoters' bonus shares may be granted by the Stock Exchange, only after payment of the requisite fine by the listed entity.
- (b) However, the approvals for the listing and trading of bonus shares allotted to persons other than the promoter(s) may be granted in the interest of the investors, subject to compliance with other requirements.

3. MCA NOTIFIED FORM RD-1(APPROVAL FOR REGIONAL DIRECTOR FOR CONVERSION OF PUBLIC LIMITED COMPANY INTO PRIVATE COMPANY) AND RD GNL-5(RECTIFICATION OF DEFECTS OR INCOMPLETENESS OF RD-1)

### **NOTIFICATION G.S.R. 603(E), DATED 28-8-2019**

In the Companies (Incorporation) Rules, 2014 (herein after referred to as the said rules), in the annexure to the said rules, for forms RD-1 and RD GNL-5, following forms shall be substituted, namely,-

<u>FORM NO. RD-1</u> (Approval for Regional Director for Conversion of Public limited Company into Private Company)

FORM NO. RD GNL-5 (For Rectification of Defects or Incompleteness of RD-1)

The application for approval of concerned Regional Director (RD) under section 2(41), shall be filed in e-Form No.RD-1 along with the fee and shall be accompanied by the following documents:

- Grounds and reasons for the application;
- A copy of the minutes of the Board meeting at which the resolution authorising such change was passed, giving details of the number of votes cast in favour and or against the resolution;
- Power of Attorney or Memorandum of Appearance, as the case may be;
- Details of any previous application made within last 5 years for change in financial year and outcome thereof along with copy of order.

Where RD on examining the application, finds it necessary to call for further information or finds such application to be defective or incomplete in any respect, he shall give intimation of such information called for or defects or incompleteness, on the last intimated e-mail address of the person or the company, which has filed such application, directing the person or the company to furnish such information, or to rectify defects or incompleteness and to re-submit such application within a period of 15 days, in Form RD GNL-5.

Note: Maximum of two re-submissions shall be allowed for RD GNL-5.

# 4. DATE EXTENDED FOR FILLING FORM NFRA-2 FROM 30TH APRIL TO 30TH NOVEMBER BY THE AUDITOR COVERED UNDER NFRA RULES 2018

### **NOTIFICATION, DATED 05 SEPTEMBER 2019**

In exercise of the powers conferred by sub-sections (2) and (4) of section 132, sub-section (1) of section 139 and sub-section (1) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules, to amend the National Financial Reporting Authority Rules, 2018, namely: In the said rules, in rule 5, "Every auditor referred to in rule 3 shall file a return with the Authority on or before "30th November every year in Form NFRA-2"

Also Under sub rule 5 of rule 11,"The Division shall dispose of the show-cause notice within a period of ninety days of the assignment through a summary procedure as may be specified by the Authority, by a reasoned order in adherence to the principles of natural justice including where necessary or appropriate an opportunity of being heard in person, and after considering the submissions, if any, made by the auditor, the relevant facts and circumstances, and the material on record.:"

But where the disposal does not take place within the said period, the Division shall record the reasons for not disposing off the show-cause notice within the said period, and the chairperson, may, after taking into account the reasons so recorded, extend the aforesaid period by **such additional period not exceeding ninety days** as he may consider necessary:

Provided further that the chairperson may, if he thinks fit, grant the said extension of period more than once.

# 5. GIFTS RECEIVED BY GOVERNMENT FUNCTIONARIES FROM DOMESTIC/UNKNOWN SOURCES TO BE DEPOSITED IN UPHAR SANGRALAYA

### NOTIFICATION NO.25 (23)/E.COORD/2018, DATED 1st AUGUST,2019

The government of India publishes in the official gazette of India under Part I Section I which relates to notifications of Non-Statutory Rules, Regulations, Orders and Resolution issued by Ministries of GOI(other than Ministry of Defence) and by the Supreme Court of India. A soft copy of the material has also been sent through e-mail at <a href="mailto:gip-mr@nic.in">gip-mr@nic.in</a>. Further, it is certified that the material of the hard copy and the soft copy are same and has approval of the competent authority.

Receipt of gifts by the Government 'Functionaries from domestic/unknown sources shall be governed by these rules, Provided receipt of gifts by the 'Government Functionaries from

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foreign sources/foreign government would 'continue to be governed by the 'Toshakhana Rules of Ministry of External: Affairs.

### GIFTS TO BE \_ DEPOSITED IN THE UPAHAR SANGRAHALAYA

- In cases where sanction of government is refused under CCS(Conduct) Rules or AIS (Conduct) Rules or any other corresponding rules, Government Functionaries shall not accept such gifts. However, the-gifts which have been accepted and sanction is refused later on, shall be deposited in Upahar Sangrahalaya.
  - Further, the gifts, which can be accepted in certain situations: but Cannot be retained, shall also be deposited in Upahar Sahgrahalaya.
- The gifts received by the Government Functionaries from near relatives and personal friends on social occasions.under tule 13(2) of CcS(Conduct) Rules, rule 11 (1) of AIS. (Conduct) Rules and any other applicable rules shall not form part of these rules.
- The decision regarding disposal of articles of gifts deposited in the Upahar Sangrahalaya under clause (i), will be taken by the Controller General of Accounts (Administration), Upahar.

For detailed information please follow the link: <a href="http://www.mca.gov.in/Ministry/pdf/RulesDeposit">http://www.mca.gov.in/Ministry/pdf/RulesDeposit</a> 03092019.pdf