



Monthly Newsletter

Volume - I

May - 2011



From The Secretary's Desk:

The Ministry of Corporate Affairs has a vital role to play in providing an effective but quick and transparent regulatory environment for the corporate sector. Unfortunately, India occupies a low rank in the global index

on ease of doing business, and delays in formation and liquidation of companies have been contributing to this. Our overall objective is to not only correct this but indeed to make our system of corporate registration, governance and oversight the best in the world. This is an ambitious but attainable goal. In recent months many concerted steps have been taken to enhance the efficiency of the various processes and procedures followed, so that approvals are fast, systematic and transparent. Approval processes have been streamlined and simplified and a new focus on listed companies – where the general public is involved – has been introduced which enables a better and more effective deployment of the Ministry's oversight functions.

A major improvement in the speed and quality of approvals is already visible. The improvements which have been achieved have been possible because of the many new and innovative ideas which have come from within and outside the Ministry. As we further improve, it is very important that we continue to think, to generate and analyse new ideas and to disseminate knowledge and information about what is happening internally in the Ministry, as well as externally and even globally. Towards this end, I am very happy to launch this Monthly Newsletter, which will be a vehicle for sharing of information and ideas. I urge all of you to make this a lively and useful forum for continuous sharing and upgradation of knowledge.



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Corporate Affairs Initiatives and Developments in May, 2011

Companies Bill, 2011 to replace Companies Act, 1956: After considering the Report of the Parliament Committee on Finance, Central Government has revised the Companies Bill, 2009. The revised Bill, entitled the Companies Bill, 2011 will be a comprehensive reform and codification of law governing corporate business in India, and will replace the Companies Act, 1956, which is in force now.

Notification on Combination Regulations: Pursuant to the notification dated 04.03.2011 regarding the provisions of Combinations, the Central Government has notified Section 43A and Section 44 of the Competition Act, 2002, which will come into effect from 01.06.2011.

Notification on Auditing of Revised procedure of Cost Accounting Records: Vide Orders dated 02.05.2011 and 03.05.2011, the Central Government has notified the revised procedure for appointment of Cost Auditor for large listed companies based on their aggregate value of net worth and turnover in selected sectors i.e. Bulk Drugs, Formulations, Fertilizers, Sugar, industrial Alcohol, Electricity Industry, Petroleum Industry, Telecommunications, Cement, Tyres & Tubes, Steel Plant, Steel Tubes and pipes, Paper and Insecticides.

Multi Stakeholder Consultations for Global Reporting Initiative (GRI) under IICA-GIZ CSR Project:

Under this project, joint stakeholder consultations were held by IICA with GRI in Mumbai, Delhi and Kolkatta with a view to achieve the following objectives: to create awareness on Voluntary CSR Guidelines and its values, the value and business proposition of disclosure and reporting, basics of GRI Guidelines and to assist participants to reflect on the current status, challenges and opportunities of Responsible Business and disclosure in the Indian context.

Comparative Public Administration in Corporate Affairs: A team of officers, headed by Shri D.K. Mittal, Secretary, visited Singapore on 23rd May, 2011 to study the legal reform in corporate policies and process of investigations into corporate frauds organized by Accounting and Corporate Regulatory Authority (ACRA) of Singapore. ACRA is the national regulator of business entities and public accountants in Singapore and has the mandate to facilitate development of business entities and the profession of public accountancy.

International Best Practices in Corporate Registers: A team of officers, headed by Shri A.K. Srivastava, Joint Secretary, visited Singapore



from 9 to 12 May, 2011, to participate in the Corporate Registers Forum Annual Conference organized by Accounting and Corporate Regulatory Authority (ACRA). The latest developments in Corporate Business Registers and experiences and information on the present and future operation of Corporate Business Registration Systems were exchanged.

New Office of Regional Director at Hyderabad: Due to the huge volume of work in the Southern Region, to ensure better administration and faster service delivery, a new office for the South Eastern Region has been opened in May, 2011. It will be located in Hyderabad and headed by a Regional Director.

Tracking Promoters/Directors of Vanishing Companies: Regional Directors have been asked to meet the aggrieved investors and to take steps, if necessary, to engage private agencies to find out the whereabouts of Directors and Promoters of Vanishing companies. A Regional Task Force has been set up in respect of the newly created North Western Region for this purpose.

Investor Awareness Programmes: Six Investor Awareness Programmes were conducted in various districts of Delhi and Kolkata during May, 2011 in partnership with the three Professional Institutes i.e ICAI, ICSI and ICWAI.

Dedicated Institutional Mechanism to manage MCA 21 System in future: It has been decided to set up a Special Purpose Vehicle to deal with "Exit Management", Monitoring of MCA21 and to manage the Project after end of the current contract with Tata Consultancy Services in January, 2013.

Hassle-free registration for LLPs: An e-governance project has been designed and developed through National Informatics Centre to provide the facility of paperless, hassle free, 24x7 registrations of Limited Liability Partnerships.

FDI in LLPs: "Circular 1 of 2011 – Consolidated FDI Policy" has been amended by the Central Government pursuant to Cabinet Committee on Economic Affairs decision dated 11.05.2011 to permit Foreign Direct Investment in Limited Liability Partnerships in a calibrated manner, starting with the 'open' sectors through the Government route (FIPB) and only by cash inflow (i.e., Debit to NRE/FCNR account with authorized dealer/bank). Foreign Institutional Investors and Foreign Venture Capital Investors are not allowed to invest in LLPs, nor can LLPs avail External Commercial Borrowings.

Further Delegation of Functions: From 01.05.2011, Registrar of Companies have been

empowered to process fresh applications for issue of licenses under Section 25 in eForm 24A with a view to further reduce timelines.

Simplification of Procedures, Rules and Processes: The Central Government has issued sixteen general circulars and six General Statutory Rules during May, 2011 which are placed in the Website of the Ministry of Corporate Affairs. Many doubts arising in the interpretation of statutes have been clarified, including permission of Limited Liability Partnership of auditors to function as Auditors of a company. Introduction of Form 23D and revision of Form Nos. 8 and 17 and provision to pass resolutions through postal ballots have also been made. Another clarification issued under Section 295 of the Companies Act, 1956 states that companies need not seek approval unless provisions of Sub-Sections of (d) or (e) of Section 295 are attracted in cases where the beneficiary of the loan/guarantee/security is a Public Limited Company. (For further details, please visit MCA website: <http://mca.gov.in>)

Company Law Board to permit e-filing: The



Company Law Board has decided to set up an e-filing system and its officials will call/receive reports under sections 17,141,621A etc from the Office of Registrar of Companies through e-mail to expedite the matters pending before its various Benches. The Benches will also sit during designated hours to ensure speedy disposal of cases.

Forms under STP mode in MCA21 System:

Registrars of Companies need not process filings made under Forms 2 and 3, as they have been made STP from 01.05.2011. Similarly, existing companies can file Form 18 and 32 under STP mode.

Strides in Green Initiative: In order to further the goals of Green Initiative and Improved Corporate Governance, the Central Government has decided to encourage participation of Directors (General Circular No. 28/2011 dated 20.05.2011) and Shareholders (General Circular No. 27/2011 dated 20.05.2011) in Meetings of the Board, Committees of Directors and General Meetings, as the case may be, through electronic mode. It has also been decided to empower the Registrar of Companies (General Circular No. 29/2011 dated 20.05.2011) to issue digital certificates.

Electronic Mode of Payments: Payments less than Rs. 50,000/- are permitted through electronic mode in the "Investor Education and Protection Fund" through "Pay Miscellaneous Fee functionality" with effect from 29.05.2011, while those above Rs. 50,000/- may be done either through paper challan or through the electronic mode.

Payment of Stamp Duty for Jammu and Kashmir:

Payment of Stamp Duty on eForm 1, AOA, MOA, Form 5 & Form 44 for the state of Jammu and Kashmir through MCA21 system has been made mandatory with effect from 01.05.2011.

Business Rules and Taxonomy for XBRL Reporting:

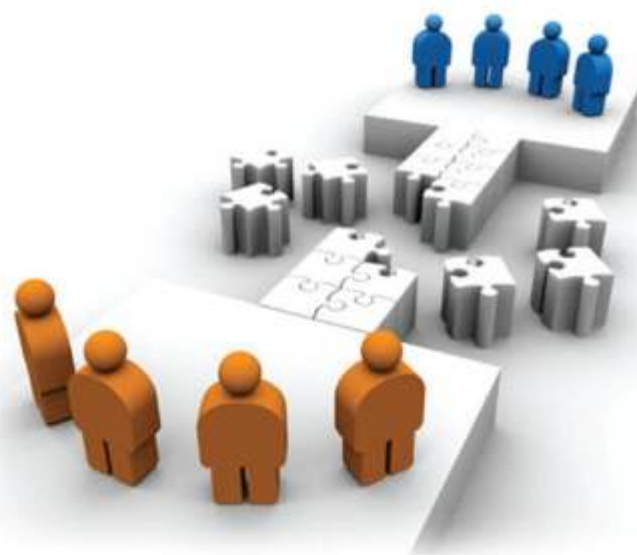
The Taxonomy and Business Rules for Commercial and Industrial (C&I) entities for filing their Balance Sheet and Profit and Loss Account in XBRL has been finalised in May, 2011 and the facility is likely to be thrown open in the Middle of July, 2011 for the use of stakeholders.

Seminars and Workshops:

The Foundation for MSME Clusters presented on 19.0.2011 the learnings from their Research Study on "Mapping of Less Sustainable MSME Clusters in India" with regard to the scale and scope of energy and environmental issues confronting the MSMEs besides the related social issues.

Training of ICLS Officers:

A five-day training programme for officers of the ICLS on



"Corporate Governance Perspective" under the Companies Act and SEBI Act was conducted during 09.05.2011 to 13.05.2011 by IICA.

Grooming Young Professionals:

Fourteen young professionals from the ICSI and ICWAI have been selected by the Ministry of Corporate Affairs to have a first-hand experience in the working of the Companies Act and to inculcate maturity and professionalism in them. Rates of stipend vary from Rs. 7,000/- p.m. to Rs. 10,000/- p.m. depending on their qualifications.

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For details, General Circulars No: 6/2010 dated 03.12.2010 and 1/2011 dated 03.02.2011 have been placed at the website of the Ministry i.e. www.mca.gov.in.