iComply

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What is Hot in Company Law?



As many of you may be aware, we provide a free to use website that provides an integrated view of the Companies Act, LODR and IB code. Read more…

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Due dates for Professional tax, Goods and Service Tax, Companies Act, 2013 among others has been captured for your ready reference. View the list…

Gist of Regulatory Changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of June, 2019

Four Regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 were made in the month of June.
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Tech 4 Company Sec

Blockchain for Company Secretaries (BC 4 CS)



By Shankar Jaganathan

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Data storage, processing and retrieval are some of the traditional value adds that emerged from use of IT in the pre-internet era. Read more…

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Releasing this month CimplyFive's Annual Secretarial Compliance Report of Nifty 50 Companies



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Editorial

Annual Secretarial Compliance Report for Listed Companies is a new reporting requirement introduced by the SEBI following the Kotak Committee recommendations. All listed companies were required file this report with the stock exchanges by May 31. Being a new report, CimplyFive undertook a study to quantify the value-add derived from this Report. The results of our study, which arebeing published next week, has quite a few interesting data points and we are keen to see how the regulators use this report to enhance the quality of corporate governance in India.

Our new column titled **Tech 4 Company Sec** where we cover technology concepts that we think are relevant for Company Secretaries was very well received. The positive feedback that we got encourages us to pursue this with more vigor. In the second article for this column, we have covered Blockchain technology and its application in the world of company secretaries. We think blockchain technology is relevant to Company Secretaries as many major corporate secretarial processes can use this technology. Globally, many pilot projects are underway that has relevance to every corporate professional, whether in employment or in practice.

Our other regular features –**What is Hot in Company Law, Gist of Changes in the Companies Act, 2013** and **Statutory Compliance Calendar** are also included in this Issue.

Please share your feedback on this newsletter with us at contact@cimplyfive.com. We look forward to your feedback with interest and as ever, strive to improve the quality of everything we do.

Happy reading,
Shankar Jaganathan
Editor of iComply
July 5, 2019

OPINION:

What is Hot in Company Law?

As many of you may be aware, we provide a free to use website that provides an integrated view of the Companies Act, LODR and IB code. Over the last three years, this site has generated good traction with 3500+ individuals registering for getting updates and attracts around 2000 users viewing more than 5000 pages a day, every working day to be more precise. As professionals take a break during the weekend, the website viewership is also lower; more pronounced on Sundays, than on Saturdays.

Listing of the most viewed sections in the Companies Act for the month of June 2019 based on visitors to our free to use website www.ca2013.com.

Company Law Top 5 Chartbuster in June 2019

May Rank	Change in Rank	June Rank	Section reference	Section title
2	↑	**1**	**73**	Prohibition of Acceptance of Deposits from Public
1	↓	**2**	**134**	Financial Statement, Board's Report etc.
3	↔	**3**	**139**	Appointment of Auditors
-	↑	**4**	**149**	Company to have Board of Directors
-	↑	**5**	**76**	Acceptance of deposits from public by certain companies

Section 73, 134 and 139 are the three sections that have retained their position in the top5. The other two sections -149 and 76 are new entrants.

LODR Top 5 Chartbuster in June 2019

May Rank	Change in Rank	June Rank	Regulation reference	Regulation Title
5	↑	**1**	17	Board of Directors
-	↑	**2**	23	Related Party Transactions
2	↓	**3**	30	Disclosure of Events or Information
3	↓	**4**	34	Annual Report
-	↑	**5**	4	Principles governing disclosures and obligations of listed entity

Regulations 17, 30 and 34 have retained their position in the top 5 from May. Regulations 17 and 4 are the two new entrants.

IB Code Top 5 Chartbusters in June 2019

May Rank	Change in Rank	June Rank	Section	Section Title
1	↔	1	5	Definitions
-	↑	2	30	Submission of resolution plan
2 -	↓ ↑	3	29 6	Preparation of Information Memorandum Persons who may initiate corporate insolvency process
4	↔	4	7	Initiation of corporate insolvency resolution process by financial creditors
-	↑	5	53	Dissolution of corporate debtor

Section 5 and 29 are the two sections to have retained their top 5 position. Section 30, 6, 7 and 53 are new entrants this month to the top 5 chart.

Tech 4 Company Sec

Blockchain for Company Secretaries (BC 4 CS)

By Shankar Jaganathan

Introduction

Data storage, processing and retrieval are some of the traditional value adds that emerged from use of IT in the pre-internet era. With internet, that connects different users seamlessly, the facet of value add has expanded to include e-commerce, e-learning and e-governance. Looking into the near future, the advent of Artificial Intelligence and Blockchain technologies have the potential to change human life in a dramatically different way.

Blockchain, the Concept

Professionals conversant with legal agreements know the need for and importance of witnesses authenticating agreements. The objective of witnesses attesting a document is to ensure that the parties do not repudiate their consent given to the agreement.

For very important documents, there is a provision for notarization, where the documents are executed in the presence of a public authority who attests the execution of the document. The equivalent for notarization of documents that need to be enforced in a different country from the one where it is executed is to apostille it. Apostille is the process where the 'notary' is designated by the country in which the agreement needs to be enforced. Often the embassy of that country servers as the apostille.

As the business world moves from the real world to the virtual world, the method of authenticating a document by the parties too has changed from physical signatures to digital signatures. In the digital world, the concept of witness can be eliminated by use of blockchain technology that authenticates the consent of the two or more parties to an agreement.

In the digital world, blockchain is the technology by which a transaction between two or more parties is authenticated instantly in a cost-effective manner, without the need for any witness to attest it. Bitcoin, the cryptocurrency that was the speculators delight in the past few years, is one of the most popular use of blockchain technology, which attempted to create a virtual currency that pans across the world, without being limited by political boundaries of any country.

Blockchain, how it Works

Blockchain needs five ingredients listed here. If we use the analogy of share transfer process to understand the blockchain technology, we can find an equivalent for each of the five technical ingredients as listed below:

1. **Cryptographic hash:** Share certificate

A Hash is a cryptographic function that transforms any input data into a fixed-length string of randomly generated alpha numeric characters. One of the most important features of the Hash functions is that **the conversion is one-way**: you cannot reverse the function to generate the original input from the output.

Cryptographic hash is the block of the blockchain.

2. **Immutable ledger:** Register of Members

Immutable ledger is the place where cryptographic hash or the block resides. By design, every block of the chain contains the hash of the previous one. Hence, it is not possible to modify any block without changing the entire chain. The chain that connects all the blocks works as an immutable digital ledger. This ensures the security of the information contained in the block chain.

Simply put, blockchain consists of the hash, which is the **block** and the immutable ledger is the **chain** that binds all the blocks together to form the **blockchain**.

The other three ingredients listed here are enablers that make the blockchain work.

3. P2P network: Stock market
Blockchain does not need any external or internal trust authority. This is possible because the Blockchain data is **distributed** among all the users. Every user has their own copy of the transactions and hashed blocks, and they spread the information of any new transaction to the entire network. This way, it is not possible for anyone to alter the information in the chain since it is not stored by an individual entity but in an entire network of *node* users.

Once a block of transactions is validated, it is added to the chain and every user gets to update their local information.

4. Consensus protocol: Share transfer form
Every time a node adds a new block, all the users validate the block by using a common protocol. Typically, the nodes reach a consensus about the correctness of a new block by Proof of Work or Proof of Stake methods.

The nodes check whether the new block meets the requisites of their Proof method, including validation for all the transactions inside the block. If the block is valid, it is considered as a part of the Blockchain and new blocks keep getting added.

5. Block validation: Registrar and Transfer Agent
Block validation refers to the act of meeting the minimum criteria required for adding a new block with existing transactions to the Blockchain. Different methods of validation exist, and they are custom defined for a blockchain based on user needs.

Though block validation is not an essential ingredient for blockchain, it was used in Bitcoins to build public confidence. Hence block validation could be used in all applications where public confidence is essential.

BC 4 CS (Blockchain for Company Secretary)
A few years from now, when the technology of blockchain becomes prevalent and more affordable, we could see blockchain technology being used in the Indian corporate secretarial world, among others for the following applications:

i. Share certificate issue and share transfer mechanisms. Pilots in this area are already done by Nasdaq, Abu Dhabi Stock Exchange and Russia's National Settlement Depository
ii. Postal ballot and shareholder voting mechanism. Pilot projects in this area is already undertaken by Spanish bank Banco Santander
iii. Voting in board meetings and on circular resolutions of the board
iv. Attendance system for board meetings and shareholder meetings
v. Authenticating minutes of the board and shareholder meeting.

In short, blockchain can be used where authentication of a document is required for use by multiple users and their validity is required to be established in different forums. The added benefit of this technology is improved transparency, increased security and enhanced analytics, all of which go to promote better corporate governance.

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Board Leaders Integrated Software Solutions



BLISS is a Cloud hosted software that automates the routines, provides an e-repository, timely alerts and a real-time dashboard, all aimed at ensuring compliance and good corporate governance. By doing so, it provides complete peace of mind to the Board of Directors and assurance to professionals by providing them with real-time compliance status with respect to the Companies Act,2013

BLISSPLUS

An advanced variant of BLISS with multiple premium features like Directors view, facility to store past Secretarial records, automated compliance tracker for size based compliance under the Companies Act,2013

BLISS LISTED

An advanced variant of BLISSPLUS for Listed Companies with Companies Act,2013 and SEBI's LODR 2015 compliances integrated to provide a single point compliance automation, risk manager & e-repository for secretarial records including past secretarial records.

BLISSGLOBAL

BLISSGLOBAL for Global Corporate Secretarial teams which helps in handling compliances for companies incorporated across the world by providing Risk Management DashBoard, activity tracker and e-repository of secretarial records.

BLISSDOCS

An Android/IOS based Board app for Directors which provides secure access to Board documents on Tablets/mobile phones, enhancing Directors productivity and making the Board meetings efficient & effective

CAIRR LODR Integrated

CAIRR is a free to use website from CimplyFive that provides at your fingertips, an integrated view of the Companies Act, 2013, IB Code, 2015 and LODR, 2015. The site and app is updated daily at 10AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com

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Compliance Calendar

July 7th, Sunday	TDS payment for June
July 15th, Monday	Pay PF contribution for June
	ESIC payment for June
	Submit Corporate Governance Report to Stock Exchange (Reg 27(2) of LODR)
July 18th, Thursday	GST composition scheme taxpayers to file self-assessed tax CMP-08 (Apr-Jun, 2019)
July 20th, Saturday	GST Payment for June - GSTR 3B
	Professional Tax payment
July 21st, Sunday	Statement of Investor complaints (Reg 13(3) of LODR)
	Submit Shareholding Pattern to Stock Exchange (Reg 31 of LODR)
July 25th, Thursday	PF Return for month of June
July 31st, Wednesday	Quarterly return for registered persons with aggregate turnover up to Rs. 1.50 Crores GSTR-1(Apr-Jun, 2019)
	Compliance Certificate certifying maintaining physical & electronic transfer facility (Reg 7(3) of LODR)
	Certificate from Practicing Company Secretary (Reg 40(9) of LODR)

Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of June, 2019

- **07.06.2019**

The Companies (Incorporation) Sixth Amendment Rules, 2019 w.e.f., 15/08/2019

a) A person or an association desirous of incorporating a company under section 8 i.e., Not for Profit Organisation, under the Companies Act, 2013 shall make an application in e-Form INC-32 (SPICe) which previously was to be filed in e-Form INC-12.

b) Certificate of Incorporation for Section 8 companies will now be issued by Registrar of Companies in Form INC- 11 which earlier was issued as a license under Form -16 or Form - 17 as the case may be.

- **11.06.2019**

NSE Circular on Action(s) to be initiated against listed companies for non-payment of outstanding Annual Listing Fees ("ALF")

This circular spells out the penalty on listed companies (including listed SMEs), if they fail to remit Annual Listing Fees on or before 31/08/2019. A phased punishment timeline is provided, ranging from (September 01, 2019 to September 01, 2020) degradation of the trading series from 'Normal Rolling Segment (Series: EQ)' to 'Trade to Trade Segment (Series: BE)', to freezing of DEMAT accounts of promoter and promoter group and if the default persists for more than six months, trading in equity shares shall be suspended, rendering it eligible for delisting due to violation of Listing regulations. This circular is not applicable to five categories of companies including PSUs, NCLT-admitted companies, Debt listed companies and listed mutual funds.

- **24.06.2019**

Clarification from Ministry about Auditor's Certificate on return of deposit pursuant to Rule 16 of the Companies (Acceptance of Deposits) Rules, 2014

Through this letter, the Ministry has clarified that the returns of deposits in e-Form DPT-3 containing the deposits information as on March 31 of that year shall be based on audited financial statements and filed with the Registrar along with the Auditor's Certificate.

However, the particulars of transactions which are not considered as deposits as on March 31 of that year can be filed with the information from unaudited financial statements without the Auditor's Certificate.

It is further clarified that MCA shall not make any extension of due date for filing of e-Form DPT-3.

- **27.06.2019**

MCA Circular on filing of e-form DIR-3 KYC and web-based services

Through this Circular, Ministry clarifies on filing of e-Form DIR-3 KYC for Directors, as follows-

Updating KYC details for first time will be through e-Form DIR-3 KYC.

If KYC is already filed with MCA last year and there is no update required for this year, filing the KYC form will be through a simple web-based verification service for ease of verification but for updating personal information like mobile number and e-mail ID, they would have to file e-Form DIR-3 KYC since this facility is not available on the web-based services.

Further, amendment in web-based services and extension of time for filing of e-Form DIR-3 KYC would be notified shortly by the Ministry.

- **SEBI (LODR) (Third Amendment) Regulations, 2019**

Through this notification SEBI has amended the provisions of Related Party Transactions by increasing the limit of the transactions to be considered as material for brand usage or royalty from 2 percent to 5 percent of the annual consolidated turnover of a listed entity.

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About CimplyFive

Vision
Leverage research and technology to eliminate procedural non-compliance risk for entities regulated by the Indian Companies Act, 2013.

Mission
Provide a cost-effective, secure web-based, menu driven, subscription services that provides curated resolutions, timely alerts and informative dashboards to free the management bandwidth for pursuing business goals



CAIRR

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