CimplyFive's Monthly Newsletter

iComply

August, 2022

Editorial

Welcome to CimplyFive 2.0. As you may be aware, on June 30, 2022, Clear, formerly known as Clear tax, acquired a majority stake in CimplyFive. With this transaction, CimplyFive is now a part of the Clear family.

While there is a change, the product suite, the team and the service levels will remain the same and our clients should see significant improvements in the days ahead. This transaction provides Team CimplyFive the resources to significantly enrich its product BLISS and its variants, deepen our Go To Market reach, and provide additional user delight by enhancing our automation suite.

In the third interview of our new series titled **Discovering Gilt Edged Corporate Governance Practices** we have featured **Mr. Gowrisankar, CFO of Rainbow Children's Hospitals**, who is sharing his professional insights on corporate governance and parameters for measuring corporate secretarial effectiveness and efficiency.

All our other regular features like –**Gist of Changes in the Companies Act, 2013, SEBI's LODR, 2015 and IB Code, 2016** and **Statutory Compliance Calendar** are also included in this Issue.

Please share your feedback on this newsletter with us at contact@cimplyfive.com, we eagerly look forward to it.

Happy reading,
Shankar Jaganathan
Editor of iComply
August 5, 2022

Discovering Gilt Edged Corporate Governance Practices - 03

Interview with CA R. Gowrisankar – Chief Financial Officer – Rainbow Children's Hospital



CimplyFive: What is your definition of Good Corporate Governance? How is it measured

Mr. CA R. Gowrisankar: Good Governance is the process in which decisions are taken keeping in mind highest ethical standards, independence in decision making, inclusion of stake holders and above all complying with rules, regulations, and applicable statutes. Read more…

What's more in this month's Issue

- What is Hot in Company Law?
- Cusps in Corporate Governance
- BLISS Tips for the Month
- Compliance Calendar
- Regulatory Changes in the Month

Discovering Gilt Edged Corporate Governance Practices – 03

Interview with CA R. Gowrisankar – Chief Financial Officer – Rainbow Children's Hospital

1. **CimplyFive: What is your definition of Good Corporate Governance? How is it measured?**

   Mr. CA R. Gowrisankar: Good Governance is the process in which decisions are taken keeping in mind highest ethical standards, independence in decision making, inclusion of stake holders and above all complying with rules, regulations, and applicable statutes.

   Good Governance can be measured by the effectiveness of the people taking decisions, involvement of stakeholders in implementing decisions, Statutory compliances and non-compliances of the organization, transparency, and the last but not the least is the confidence that the public and investors have in the organization and the people managing it.

2. **CimplyFive: How do you measure the effectiveness of Corporate Secretarial function? Do you link it to scheduling secretarial activities like board meeting and general meetings, or ensuring complete compliance resulting in nil penalties or late payment fees or any other parameters that you use in your company?**

   Mr. CA R. Gowrisankar: Given the large quantum of compliances the organizations needs to fulfil in today's corporate secretarial function, compliance itself is a herculean task. No longer is compliance limited to filing forms with statutory authorities. Today this function could/should give guidance on the legal framework which the people governing should keep in mind while taking decisions. Though compliance is one of the rating parameters to measure the effectiveness of the corporate secretarial function, there are other measures like how pro-active is the function in communicating with the stakeholders, and how the function actively involves other departments in the compliance plan for the company. Given the expanded role of this function, its effectiveness can be measured by technology adoption in this function and utilization of technology to achieve the governance goals with ease.

3. **CimplyFive: How do you measure the efficiency of the Corporate Secretarial function? Do you link it to use of technology, or number of team members or the ease with which you are able to complete the task on hand?**

   Mr. CA R. Gowrisankar: As stated earlier, technology adoption is very critical for improving the efficiency of Corporate Secretarial Function. Now-a-days the compliance responsibilities are increasing rapidly and complying with increasing responsibilities and monitoring the compliance status will be a challenge without adoption of appropriate information technology tools.

   It is very relevant to state that the efficiency of Corporate Secretarial Function can be measured by knowing how lean the team is and how effectively compliances are met and monitored by adopting appropriate technology.

4. **CimplyFive: What is the role you foresee of technology in ensuring compliance and good governance?**

   Mr. CA R. Gowrisankar: Technology is playing a vital role in all aspects of the organization. It is next to impossible to ignore the adoption of technology in Corporate Secretarial Function. I will surely say that technology enables cent percent compliance and improves over-all governance in the organization. To put it simply, technology adoption takes the organization to the next level of good governance.

5. **CimplyFive: What has been your experience with CimplyFive in seeing technology promote good governance? What is that one 'wow' feature you would like to see in BLISS software that will ease your role as the Chief Compliance Officer?**

   Mr. CA R. Gowrisankar: Though there are plenty of tools available in the compliance sphere, CimplyFive is unique for it is a well thought-out and mature application keeping in mind the exact requirements of Corporate Secretarial Function. Usage of CimplyFive's software helps our organization to a greater extent in digitalization of secretarial function. We at Rainbow Children's Hospital are using CimplyFive's BLISS Software for the past five years and have benefited a lot from it.

I am impressed with CimplyFive because it is developed keeping ease of use in mind which makes it quick to learn and fast to implement. This factor alleviates the apprehension of the Secretarial Team to use this product which helps for the seamless adoption of technology in Secretarial Function.

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OPINION:

What is Hot in Company Law?

Our free to use website www.ca2013.com has the unique distinction of providing an integrated view of the Companies Act, LODR and IB code. Our site crossed **21 million page-views** in July, 2022 and it attracts over 6000 users accessing over 22,000 pages a day. Listing of the most viewed sections in the Companies Act, LODR and IB Code in the month of July 2022 here is based on visitors to our site.

For the Month of July 2022

Top 5 Chartbusters in the Companies Act, 2013

Rank in June	Change in Rank	Rank in July	Section reference	Section title
N	↑	**1**	**129**	Financial Statement
1	↓	**2**	**188**	Related party transactions
5	↑	**3**	**135**	Corporate Social Responsibility
N	↑	**4**	**139**	Appointment of Auditors
2	↓	**5**	**179**	Powers of Board

Sections 129 and 139 have displaced sections 62 and 134 in the top 5 Ranking.

LODR Top 5 Chartbuster Regulations

Rank in June	Change in Rank	Rank in July	Regulation reference	Regulation Title
1	↔	**1**	17	Board of Directors
2	↔	**2**	30	Disclosure of Events or Information
3	↔	**3**	23	Related Party Transactions
4	↔	**4**	34	Annual Report
N	↑	**5**	46	Certificate of Shares

Regulation 46 has replaced Regulation 2 in the top 5 Ranking.

IB Code Top 5 Chartbusters

Rank in June	Change in Rank	Rank In July	Section reference	Section Title
N	↑	**1**	59	Voluntary liquidation of corporate persons
N	↑	**2**	7	Initiation of Corporate Insolvency Process by Financial Creditors
1	↓	**3**	5	Definitions
5	↑	**4**	3	Definitions
N	↑	**5**	20	Management of operations of corporate debtors as going concern

Section 59, 7 and 20 have replaced 29, 33 and 30 in the top 5 Ranking.

CCG - Cusps in Corporate Governance

CCG-5: Independent Directors to PROTECT Stakeholders' interest

The idea 'necessity is the mother of invention' holds true in most situations, and the field of corporate governance is no exception. Analysis of the corporate history over last 500 years reveals that most good governance practices are triggered by regulators in aftermath of a corporate fraud or a scandal, thus mandating the voluntary practice of a pioneer, to reduce if not prevent such frauds or scandals. This series traces key episodes of such change.

Board of Directors have fiduciary powers that they exercise for the benefit of all shareholders. This exercise of fiduciary power requires an objective view of the issues concerned to enable decision making keeping the interest of all shareholders. While this concept is clear in theory, the objectivity required was often missing in practice, resulting in periodic corporate scandals. To overcome this limitation, the concept of Independent Directors (IDs) was introduced to protect the interest of shareholders who do not have a beneficial interest in the company; not dissimilar to the concept of employing diabetes patients in a sweet shop to prevent consumption of sweets.

The Trigger

The Great Crash of 1929, when Dow Jones index fell from 381 in September 1929 to 41 in July 1932 triggered a few changes one of which was to seed the concept of IDs that fructified seven decades later in 1990s. In this crash, investors in mutual funds who had invested over $3 billion in the year 1929 itself paid a massive price. This is best illustrated by the quantum of loss suffered investors in Goldman Sachs Trading Corporation, a mutual fund promoted by Goldman Sachs, whose stock price, now called units of mutual funds, fell from a high of $326 to $1.75. Though the mutual fund investors lost their money, other members of the eco system consisting of underwriters, investment advisors and brokers made their money on the initial investments made. In the aftermath of this Great Crash, regulators acted to protect the mutual fund investors seeding the concept of independent directors.

The Pioneer

The Securities Act, 1933, and the Securities Exchange Commission Act, 1934, were passed to protect the shareholders interest based on the principle that providing all the required information for decision making was the best way to protect the shareholders and other potential investors. However, in Mutual Funds, this did not provide adequate safeguard, as the shareholders of the mutual funds were the asset management company and the investors in the mutual funds were akin to the suppliers to a firm, through the supply in this case was of money, the most fungible asset.

To provide customized safeguards to the suppliers of funds to the mutual fund, the Investment Companies Act, 1940 and the Investment Advisers Act was passed by the US Senate. These Acts provided limited representation of less than 60% on the Board of Mutual Funds to affiliated parties, with the balance of the board is to be made up of 'unaffiliated' persons, i.e. unaffiliated with the investment advisors, or officers or employees of the investment advisory company. While the term independent was used in the report that introduce the Act, the Act itself only mentioned affiliated persons and by inference, the unaffiliated person.

The Spread

As corporate history shows, corporate scandals recur at frequent intervals. The spread from mutual funds to companies, was triggered by two different sets of corporate scandals:

- Lord Bullock Committee appointed in 1974 to review corporate democracy following the secondary banking companies and property market failure in the UK market recommended '2x+y' board composition to prevent corporate scandals, which is an equal number of shareholder and employee representatives

making the '2x' to balance their conflicting interest and a smaller number of independent directors, 'y' to break deadlocks in decision making. However, before this recommendation could be seriously considered for implementation, Labour Party ruling England fell to be replaced by Margaret Thatcher, putting an end to the idea of employee representation on the Board.

- Following another set of corporate scandals in 1980s involving companies like BCCI (Bank of Credit and Commerce International), Poly Peck, and Maxwell, the Cadbury Committee was appointed by the Financial Reporting Council, the London Stock Exchange, and the accountancy profession, that recommended the presence of Independent Directors in the Board as a deterrent for preventing corporate scandals.

Practice Today

Since the advent of Cadbury Committee in 1992, across the world in almost all geographies, Independent Directors are seen as the single point solution to eliminate all corporate governance challenges. Starting with a limited role in Audit Committees, most leading stock exchanges in the world today require the boards of their listed company to have significant number of Independent Directors on their Board. In addition, in India, the Companies Act, 2013 requires all public limited companies with paid-up share capital of more than Rs.10 crores, or turnover of more than Rs.100 crores or having outstanding loans, debentures or deposits in excess of Rs.50 crores to have a minimum of two independent directors.

While the presence of independent directors has not eliminated corporate scandals, their presence has also thrown up new challenges relating to their mode of appointment and refining the concept of independence to meet the actual requirements in practice.

BLISS Tips for the Month

#230: Enhance Your Productivity by Replicating Entire Agenda with a SINGLE CLICK
#231: BLISS provides Pre-Populated Resolutions Required for Board Meetings in which Accounts are Approved.
#232: Enhance Board Members Productivity for Supplementary Agenda Items using BLISS
#233: Restrict the View of Confidential Agenda items for Select Users of BLISS

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Board Leaders Integrated Software Solutions



BLISSPLUS

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 is 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

BLISSLISTED 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 is a cloud hosted key document management solution with Action Tracker that provides master data capture of the entity, e- repository for document management, Automated Tracker for managing event based and calendar-based activities.

BLISSDOCS

BLISSDOCS is 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

CIMPLYBEST

CimplyBest is a tailormade software for Indian Corporates in conducting Corporate Board Evaluation which will optimize Board's Time & Effort with confidentiality assured.

BLISSTAT

BLISSTAT is a cloud hosted custom built software to automate Direct Tax assessment processes and provide a comprehensive action tracker enabling workflow automation with a e-repository for storing all tax assessment records.

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, 2016 and LODR, 2015. The site and app is updated every business day by 11 AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com

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Compliance Calendar

August 7th	TDS payment for July
August 15th	Pay PF contribution for July
	ESIC payment for July
August 20th	Professional Tax payment
August 20th, 22nd, 24th	GSTR 3B (based on turnover and principal place of business)
August 25th	PF Return for July

Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of July, 2022

- **04.07.2022**

BSE and NSE have issued circulars directing debt/equity listed entities to disseminate the following on their website

- All disclosures, under Regulation 46 and 62 of Listing Regulations to be under a separate section as mentioned below:
  - Home > Investors > Disclosures under Reg 46 of the LODR > details required under Reg 46 (2)
  - Home > Investors > Disclosures under Reg 62 of the LODR > details required under Reg 62 (1)
  - Updated Policies with effective/ last amended date. Read more...

IBBI amends the procedure for violation of the IB Code for Insolvency Professionals (IPs) and Insolvency Professional Agencies (IPAs)

IBBI amends Insolvency and Bankruptcy Board of India (Insolvency Professional Agencies) Regulations, 2017, (Insolvency Professionals) Regulations, 2016 and to prescribe a uniform procedure in accordance with the existing (Inspection and Investigation) Regulations, 2017 for violation of the Code or rules or regulations by insolvency professional agency or insolvency professional.

Highlights of the procedure:

- IBBI may authorize an Investigating Authority to issue Show Cause Notices in writing to the IP or IPAs with the following details:
  - alleged facts, evidence obtained, actions proposed to be taken, the time within which a response is required (at least 15 days) and consequences of failure to do so.

- This notice shall be served in both electronic form to the email addresses and by registered post.

- All the relevant information will then be placed before a Disciplinary Committee to which the case is referred.

IBBI amends Schedule I of the Insolvency Professionals Regulations 2017 regarding the Code of Conduct for IPs

Highlights of the Code:

- An IP shall disclose his relationship* with the corporate debtor (CD), other professionals engaged by him, financial creditors, interim finance providers, and prospective resolution applicants to the insolvency professional agency of which he is a member, within three days of relationship being established as detailed in the regulation.

- An IP shall ensure disclosure of the relationship* of other professionals engaged by him with himself or the corporate debtor, within three days of relationship being established as detailed in the regulation.
  *Relationship can be defined as:

1. Where IP/other professional has derived 5% or more of his / its gross revenue in a year from professional services to the related party.

2. Is a shareholder, director, key managerial personnel, or partner of the related party.

3. Where a relative (spouse, parents, parents of spouse, sibling of self and spouse, and children), has a relationship of kind 1 or 2 with the related party.

4. Is a partner or director of a company, firm or LLP that has the relationship of kind 1, 2, 3 with the related party.

5. Every partner or director of such company, firm or LLP that has a relationship of kind 1, 2,3 with the related party.

- An IP shall ensure the following steps are taken by him, and on his instruction by other professionals appointed by him:

    1. Timely and correct disclosures of appointments made and whether they were on arms' length basis.
    2. Invoices towards fees are raised in his name and paid through banking channel.

- An IP shall also ensure that:

    1. The CD complies with the applicable laws by exercising diligence.
    2. All communications to a stakeholders state his name, address, e-mail, registration number and validity of authorisation for assignment, issued by the insolvency professional agency of which he is a member.
    3. The liquidation cost arrived at under the Code does not include any losses/penalty due to any non-compliance.

- **07.07.2022**

  NSE issues guidance note on disclosure of complaints in Investor Complaints Report

  Regulation 13(3) of LODR Regulations requires a listed entity to file a statement indicating the number of investor complaints pending at the beginning of the quarter, those received during the quarter, disposed of during the quarter and those remaining unresolved at the end of the quarter on a quarterly basis, within 21 days from the end of each quarter.

  It is to be noted that the listed company receives investor complaints from multiple sources such as SEBI SCORES, Exchanges, hardcopies, emails etc. The observation by NSE is that the information shared by the listed entity on the no. of complaints received, resolved, and pending in its Investor Complaints report is not matching with that of the data available with Exchange and SEBI SCORES.

  NSE, therefore, requires the listed entity to consider all of the investor complaints received by it from various sources and disclose the same in the quarterly report. Necessary actions may be initiated against the company, if deviations are observed.

- **08.07.2022**

  Specified Disclosures under LODR Regulations to be filed in the new digital portal of NSE w.e.f 11/07/2022

  NSE has notified that the necessary intimations in XBRL mode w.r.t Financial Results, Related Party Transactions and Business Responsibility & Sustainability Report (BRSR) shall be uploaded in the designated subject provided under the new digital portal of the Exchange only.

- **11.07.2022**

  Listed Entities to provide URLs w.r.t uploads made in its website under LODR on or before 18/07/2022

  LODR Regulations requires an entity that has listed its specified securities and non-convertible securities to maintain a functional website and upload various intimations under Regulations 46 and 62, respectively. To ensure its effective enforcement, NSE now requires the listed entity to provide the URLs of the information uploaded as required under the above-mentioned regulations in the designated path in NSE's NEAPS portal by 18/07/2022.

- **12.07.2022**

  Filing of Business Responsibility and Sustainability Report (BRSR) by Listed Entities

  With effect from the financial year 2022-2023, filing of BRSR shall be mandatory for the top 1000 listed companies (by market capitalization). For the financial year 2021-22, filing of BRSR is voluntary for these entities. In this connection, BSE requires that the listed entities shall submit BRSR in both PDF and XBRL mode and the designated path where the same can be uploaded in its portal is notified in the circular.

- **15.07.2022**

  Extension of time to provide details of the URLs w.r.t uploads made in the website by the Listed Entities under LODR to 31/08/2022

  NSE has now extended the timeline for the listed entities to provide the URLs of the information uploaded in its website as required under the Regulations 46 and 62 of LODR Regulations in the designated path in NSE's NEAPS portal to 31/08/2022 (as opposed to the earlier deadline of 18/07/2022).

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- **25.07.2022**

Obligations of a listed social enterprise under LODR Regulations

A new Chapter, prescribing the disclosures and intimations to be filed with the exchanges, is introduced to govern the following entities:

- 'For Profit Social Enterprise' whose designated securities are listed on the applicable segment of the Stock Exchange(s) (SEs)
- a Not-for-Profit Organization that is registered on the Social Stock Exchange(s) (SSEs);

Key highlights of the amendment are:

1. Definition of the Designated Securities is amended to include Zero Coupon Zero Principal instruments.

2. A For Profit Social Enterprise whose designated securities are listed on the SEs shall comply with the disclosure requirements as applicable to issuers whose specified securities are listed on the Main Board or the SME Exchange or the Innovators Growth Platform, as the case may be.

3. A listed Not for Profit Organization is required to make annual disclosures to the SSEs on matters specified by the Board, within 60 days from the end of the financial year or within such period as may be specified by the Board.

4. Listed Social Enterprise shall:

   a. frame a policy for determination of materiality and shall disclose the same to the SEs/SSEs.

   b. disclose any event that may have a material impact on the planned achievement of outputs or outcomes, at the earliest but not later than seven days or within such period as may be specified by the Board, from the occurrence of the event and the disclosure shall comprise details of the event including the potential impact of the event and the steps taken by the Social Enterprise to address the same.

   c. Submit an 'Annual Impact Report' duly audited by a Social Auditor of a Social Audit Firm to the SE/SSE.

5. A listed Not for Profit Organization shall submit a quarterly report to the SSE a statement of utilisation of funds, till such time the issue proceeds have been fully utilised or the purpose for which they were raised, has been achieved.

- **26.07.2022**

Spending on 'Har Ghar Tiranga' campaign is as an eligible CSR expenditure

MCA has issued a circular notifying that the amounts spent by the companies on activities related to the 'Har Ghar Tiranga' campaign, such as mass scale production and supply of the National Flag, outreach and amplification efforts and other related activities as eligible CSR expenditure under item no. (ii) of Schedule VII of the Companies Act, 2013, pertaining to promotion of education relating to culture.

It is to be noted that the 'Har Ghar Tiranga' campaign is being organized as part of Azadi Ka Amrit Mahotsav, the aim of which is to encourage people to bring home the national flag and hoist it, to celebrate 75 years of India's independence.

- **29.07.2022**

SEBI issues Operational Circular for listing obligations and disclosure requirements for Non-convertible Securities, Securitized Debt Instruments and/ or Commercial Paper

SEBI vide its circular dated 29/07/2022, for effective regulation of the corporate bond market and to enable the issuers and other market stakeholders to get access to all the applicable circulars at one place, has issued this Operational Circular with compilation of the relevant existing circulars, with consequent changes.

The circulars listed at Annex – 1 stand superseded by this Operational Circular.

In addition to the above, this Circular has prescribed the following:

1. The Format for submission of statement indicating the utilization of issue proceeds of listed Non-convertible Securities to the Stock Exchange(s), by the listed entities, as required under regulation 52(7) of the Listing Regulations, has been included in Chapter IV.

2. The format for review of rating obtained by the listed entity with respect to its non-convertible securities from Credit Rating Agency(ies) registered with SEBI, as required under regulation 55 and formats for submissions to be

made by listed entity to the stock exchanges for interest/ dividend/ principal under regulations 57(1), 57(4) and 57(5) of the Listing Regulations.

This circular shall come into force with effect from August 1, 2022.

BSE issues Guidance Note on disclosures pertaining to analysts / institutional investors meet and best practices for Equity Listed Companies

In continuation to the guidance note dated June 29, 2021, titled "Guidance Note on Analyst/Institutional Investors meet", BSE has issued further clarification for ease of compliance.

Key highlights of the circular are:

- **Prior to the meet / call -** listed companies are required to submit schedule of analysts or institutional investors meet to the Exchange as per the timelines mentioned under the provisions of LODR Regulations irrespective of it being an earnings call or otherwise. It also recommends submitting the presentation of earnings / open ended meet / call are to the Exchange and uploading the same on the company's website in advance of such meet / call, following best practices by top Indian listed companies.

- **During the meet / call -** It is recommended to avoid disclosing any Unpublished Price Sensitive Information (UPSI) during discussion in any meet / call and if disclosed whether voluntarily / involuntarily, is mandated to provide a its prompt disclosure.

- **Post the meet / call**
  - The presentation /Audio/video recordings of post earnings/quarterly calls to be promptly made available on the website and in any case, before the next trading day or within twenty-four hours from the conclusion of such calls, whichever is earlier. They shall be hosted on the website for a minimum of five years and thereafter as per the archival policy of the listed entity.

  - Its transcripts shall be hosted on the website within five working days of the conclusion of such calls and preserved in permanently as per LODR Regulations.

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



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