CimplyFive's Monthly Newsletter

iComply

December, 2022

Editorial

It is December and we are happy to share that our annual compilation, **VI India Secretarial Practice, 2022**, is in the final stages of publication and we plan to release it in the third week of December. The report has identified many interesting practices that we believe will be of value to all corporate governance professionals.

Turning to this newsletter, in the ninth edition of our series **"CCG -Cusps in Corporate Governance"**, we have traced the pioneer and the triggers for Quota system for Women Directors that is mandated in many countries. Though it started as a mandatory quota linked appointment, in many companies it has gone beyond the token representation and has seen larger representation of Women Directors and in Apollo Hospitals, the newly inducted company in the Nifty 50 Index, we have our first Nifty 50 company to have majority of Women Directors on its Board.

In the seventh interview of our new series titled **Discovering Gilt Edged Corporate Governance Practices** we have featured **CS Pragya Kaul, President Governance & Compliance, Tilaknagar Industries Limited,** who shares her insights on corporate governance, measuring effectiveness and efficiency of compliance functions and the role of technology in compliance management.

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
December 5, 2022

Discovering Gilt Edged Corporate Governance Practices – 07

Interview with CS Pragya Kaul, President Governance & Compliance, Tilaknagar Industries Limited.



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

CS Pragya Kaul: I would say good corporate governance is the dual aim of pursuing profits and doing so in a transparent and accountable manner. The culture of strong governance flows down from the top. 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

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Discovering Gilt-Edged Corporate Governance Practices – 07

Interview with CS Pragya Kaul, President Governance & Compliance, Tilaknagar Industries Limited.

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

CS Pragya Kaul: I would say good corporate governance is the dual aim of pursuing profits and doing so in a transparent and accountable manner.

The culture of strong governance flows down from the top. If there is strong governance intent at the top, that culture permeates the whole organization. Corporate governance is not limited to ticking boxes to make sure you remain within the guidelines or regulations. It is compliance with law in both letter and spirt.

Some of the good corporate governance indicators in my view are:

- An effective Board of Directors that features a balance of competencies, diversity, experience, company knowledge and independence
- Regular evaluation of board performance as well as that of the individual directors and committees.
- Access to vital information coupled with good internal communication for the Directors
- Compliance with the applicable rules and regulations
- Robust Risk identification and mitigation mechanism
- No or lesser gaps between the Internal and External audit reports
- Compensation / Remuneration of senior management aligned to the Company's goals
- Timely and transparent disclosures in the statutory filings and reports as well as non-statutory disclosure available in public domain.
- Focus on Sustainability

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?

CS Pragya Kaul: Off course compliance with all applicable rules and regulations resulting in nil penalties, scheduling timely board meetings etc. are important. However, the Company Secretary's role is changing as corporate governance standards and rules are becoming ever more demanding and rigorous. The role is more visible and more relevant today, and Company Secretaries are a catalyst for good corporate governance practices.

In my view Company Secretaries are governance advisors now and are expected to provide professional guidance to boards, directors, and management on key decisions relating to corporate governance standards and practices.

There are ways to measure effectiveness of Secretarial function, like how pro-active they are, how updated they are with the changes in the regulatory landscape, how they handle Board, shareholders, regulators and how they work together and involve other concerned departments in the compliance plan for the company and how well they are leveraging the technology in their function.

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?

CS Pragya Kaul: People and technology both are resources. Both need to work in tandem and not to the exclusion of the other one. It is very relevant to state that the efficiency of Corporate Secretarial Function can be measured by knowing basically that there is zero non-compliance and use of technology in the function. It is very interesting to track how effectively compliances are met and monitored by adopting appropriate technology with the help of a lean team.

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

CS Pragya Kaul: The regulatory landscape is ever changing. The heightened level of legal and regulatory scrutiny facing companies today is a catalyst for exploring new and existing technologies to redesign or streamline existing compliance programs. Using technology keeping abreast with new amendments is easier.

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?

CS Pragya Kaul: I have used CimplyFive's Secretarial compliance management system, Board Evaluation and Board Meeting software. The experience has been great. In particular I like the following features:

a. The compliance system sends out regular updates on the amendments and the implications. I have found it very useful in managing a number of companies with numerous compliances.
b. There are reminders for the due dates in advance, maker-checker controls, reviewer function, and escalation matrix.
c. The formats for agenda and minutes come in quite handy with minimum human intervention. This releases the time of the Secretarial team for more productive work.

I would say that all the compliances under other Acts should also be covered so that we can live up to our role as "Chief Compliance Officer".

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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 **24 million page-views** as on date and attracts over 6000 users accessing around 25,000 pages a day. Listing of the most viewed sections in the Companies Act, LODR and IB Code in the month of November 2022 here is based on visitors to our site.

For the Month of November 2022
Top 5 Chartbusters in the Companies Act, 2013

Rank in October	Change in Rank	Rank in November	Section reference	Section title
3	↑	**1**	**188**	Related party transactions
2	↔	**2**	**135**	Corporate Social Responsibility
N	↑	**3**	**62**	Further issue of Share Capital
N	↑	**4**	**186**	Loan and investment by Company
5	↔	**5**	**179**	Powers of Board

Two section 134 and 139 have dropped out of the top 5 ranks replaced by section 62 and 186.

LODR Top 5 Chartbuster Regulations

Rank in October	Change in Rank	Rank in November	Regulation reference	Regulation Title
2	↑	**1**	30	Disclosure of Events or Information
3	↑	**2**	23	Related Party Transactions
1	↓	**3**	17	Board of Directors
4	↔	**4**	52	Financial Results
N	↑	**5**	33	Financial results

Regulation 33 has replaced Regulations 9 in the top 5 Ranking**.**

IB Code Top 5 Chartbusters

Rank in October	Change in Rank	Rank In November	Section reference	Section Title
2	↑	**1**	59	Voluntary liquidation of corporate persons
N	↑	**2**	21	Committee of Creditors
N	↑	**3**	7	Initiation of corporate insolvency resolution process by financial creditor
N	↑	**4**	3	Definitions
4	↓	**5**	5	Definitions

Section 21, 7 and 3 have replaced sections 4, 59 and 30 in the top 5 Ranking.

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CCG - Cusps in Corporate Governance

CCG-9: Advent of Women Corporate Directors

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 mandated by regulators in aftermath of a corporate fraud or a scandal, identifying a voluntary practice of a pioneer, to reduce if not prevent such frauds or scandals.

This series traces key episodes of such changes.

The adage 'Every rule has an exception' in the case of 'corporate scandals triggering new governance practices' is proved by the mandate to bring gender diversity to the corporate boards. While Women Directors on the board is the norm today, the first Women Director on corporate boards was inducted just a century ago, only in the year 1900 CE. Ms. Clara Abbot the wife of company founder Wallace Abbot is identified as the first woman to be inducted into a corporate board, of Abbot Laboratories, an unlisted company. This is to be seen in the context of New Zealand being the only country that provided their women the right to vote in general elections. This right was given in the USA in 1920 CE and in the UK in 1928 CE and in India, from the first general elections.

The next hundred years saw corporate entities proliferate, but Women Directors were still an exception rather than the rule on the corporate boards. A mandate in 2003 CE with severe penalties for non-compliance, was the trigger for women to become a part of the corporate boards, starting with Norway. Soon mandated quota for Women Directors became the norm in most countries for onboarding women on corporate boards, with India enacting it through the Companies Act, 2013.

The Trigger

There are two streams of thought justifying the need to have women on corporate boards:

1. **Business or financial performance lens**, where better results are achieved due to women on the Boards making stakeholder engagements more effective, providing unique insights for decision making that would be absent otherwise, especially where women constitute a significant portion of the workforce, or the consumer/ customers addressed.

2. **Equality and Social justice lens**, where the belief is that a society cannot realise its full potential if it does not enable the participation of women who constitute a half of the human population.

While empirical evidence of correlation between women on board and better business or financial performance is not yet conclusive, the current initiatives are primarily triggered by the Equality and Social justice lens.

Norway the pioneer in Gender equality initiatives led this movement when in 2002 they amended their Gender Equality Act, 1978 by expanding the ambit of its applicability from public authorities to include both public and private entities, and a shift in focus from non-discrimination because of gender to active promotion of gender balance. In the corporate world, this took the form of a mandate for all their public companies to ensure gender balance board with a minimum of 40% representation for each gender. This was soon followed by most other countries mandating gender quota.

The Pioneer

Norway was the first country to mandate a quota for women on company boards from the year 2003. The law stipulated that in all publicly listed companies, both genders must be adequately represented. Where the board size is 2 or 3, both genders should be represented, where the board size is 4 or 5, both the genders should be represented with at least 2 members each, 6 to 8 members, there should be a minimum of 3 members each, and where there are nine members are more, each gender should be represented with 40% each.

Companies were given a period of four years to implement the new provisions. By 2009 all the companies had complied with the new law as there was strict sanctions, which forced the dissolution of noncompliant companies.

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In India

The Companies Act, 2013 for the first time mandated Indian companies to have a women director on their board. Section 149 of the Companies Act, 2013 requires listed company and every public company with a paid-up share capital more than Rs.100 crores or turnover more than Rs.300 crores to have a minimum of one women director on their board.

Most Indian companies have complied with this provision and in larger companies have gone beyond the letter of law. For instance, in the Nifty 50 companies for FY 2022, the average number of Women Directors was 2.2, with 38 of the 50 companies having more than one Women Director that is mandatory. This increase is both significant and widespread, as 15 companies had three Women Directors, two companies had four Women Directors and **Apollo Hospitals had six Women Directors, who constitute the majority on their Board. This is the first time where a board of Nifty 50 company had majority of Women Directors.**

BLISS Tips for the Month

#245: BLISS enables users to create User Defined Calendar Trackers

#246: BLISS helps you Store & Retrieve Secretarial Records from E-repository using Keyword search

#247: Automate your Board Evaluation Process with CIMPLYBEST

#248: Our free-to-use website CAIRR hosted at www.ca2013.com includes FAQs from Stock Exchange

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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

December 7th	TDS payment for November
December 13th	GSTR 1 (Nov,21)-Optional for those opted quarterly filing as per QRMP scheme.
December 15th	Pay PF contribution for November
	ESIC payment for November
December 20th	Professional Tax payment
December 20th, 22nd ,24th	GSTR 3B (based on turnover and principal place of business)
December 25th	PF Return for November

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

- **02.11.2022**
IBBI prescribes revised format of Annual Compliance Certificate for Insolvency Professional Agencies

In furtherance to Circular issued by IBBI dated 31/10/2022 and in consequence of amendments in Insolvency and Bankruptcy Board of India (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, 2016, and in suppression of the Circular No: IPA/009/2018 dated 19th April, 2018, the revised format of Annual Compliance Certificate for IPAs has been issued by the Board which has to be submitted within 45 days of the end of the financial year by all the registered IPAs.

- **04.11.2022**
NSE notifies action that will be taken for non-compliance w.r.t SDD

NSE had earlier notified vide its circular no. NSE/CML/2022/51 dated October 28, 2022 on SOPs for compliance with SDD under PIT Regulations.

It has now notified that if the listed company doesn't comply with the requirements of provisions of 3(5) and 3(6) of PIT Regulations which requires SDD to be maintained by the company, then the Exchange shall display, in its website in the 'Get Quote' page, that the company is non-compliant with SDD, from the next trading day till the Exchanges have satisfactorily verified that the company has completely complied.

- **07-11-2022**
Master Circular on the redressal of investor grievances through the SEBI Complaints Redress System (SCORES) platform

Key highlights of the circular are as follows:

1. **Grievance Redressal Hierarchy:** It is now mandatory for investors to first take up their grievances for redressal with the entity concerned, through their designated persons/officials who handle such issues relating to compliance and redressal of investor grievances. In case, the entity concerned fails to redress the complaint within the stipulated timeline, the investor may then file their complaint in SCORES.

2. **Pre-requisites to lodge a complaint in SCORES platform:** The complaint shall be lodged on SCORES within **one year from the date of cause of action, only when** the listed company or registered intermediary / MII, as the case may be, when approached by the complainant has rejected the complaint or the complainant has not received any communication from the concerned listed company or the registered intermediary / MII or the complainant is not satisfied with the reply received or the redressal action taken.

3. SEBI reserves its right to reject a complaint lodged on SCORES, if the date of cause of action is more than one-year-old and/or the complainant has not taken up the complaint with the concerned entity prior to the said date.

4. Where a complainant is not satisfied with the extent of redressal of grievance by the concerned listed company/ intermediary/ MII, the complainant can avail a **one-time 'Review' option** under SCORES, within 15 days from the date of closure of the complaint on SCORES.

5. This circular has also notified the **exclusion list of complaints** that will not be dealt through SCORES

including complaints against a Company going through resolution process under IBC, against the companies under liquidation etc.

6. This circular also details the **procedure and timelines for handling of complaints** by stock exchanges against the listed companies and the **action that will be taken by the exchanges in case of failure in redressal of investor grievance** by such listed companies, which could also lead to freezing the entire shareholding of the promoter(s) in such listed company as well as all other securities held in the demat account of the promoter(s), in case where the non-compliance continues beyond 86 days from the receipt of the complaint in SCORES.

7. SEBI requires the exchange to forward the details of the non-compliant listed entities for initiating necessary action, in cases where the exchange has exhausted all the prescribed options and yet the number of pending complaints exceed 20 or the value involved is more than Rs 10 lakh.

- **09-11-2022**

SEBI issues Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2022 to further amend Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

Key highlights of the Notification are:

- In Regulation 8(2)(d) for determining the offer price of acquisition of shares, a proviso is inserted stating that the price determined as per clause (d) shall not apply in the case of disinvestment of a public sector undertaking by the Central Government or a State Government, as the case may be. This proviso shall apply only in case of a change in control in the public sector undertaking.

- In Regulation 8(3)(e) for determining the offer price of acquisition of shares, a proviso is inserted stating that the price determined as per clause (e) shall not apply in the case of disinvestment of a public sector undertaking by the Central Government or a State Government, as the case may be. This proviso shall apply only in case of a change in control in the public sector undertaking.

- Regulation 22(2) pertaining to Completion of acquisition is amended to include, in addition to cash consideration, the provision of unconditional and irrevocable bank guarantee issued in favour of the manager to the open offer by any scheduled commercial bank, subject to the approval of the Reserve Bank of India. Further, the bank guarantee shall only be issued by such scheduled commercial banks having "AAA" rating from a credit rating agency registered with the Board, on any of its long-term debt instrument.

- **14-11-2022**

I. SEBI notifies amendments to Listing Regulations relating to Independent Directors, further issue of securities, submission of financial result and scheme(s) of arrangement w.e.f 14th November 2022

1. **Independent Directors**

The appointment, re-appointment or removal of an independent directors is subject to the approval of shareholders by way of a special resolution. However, if these resolutions fail to get the requisite majority, but the votes cast by public shareholders in favour of the resolution exceed the votes cast against it, then the appointment, re-appointment or removal of such an independent director shall be deemed to have been approved by special resolution.

2. **Further Issue of securities**

Where the listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a public issue, rights issue, preferential issue or qualified institutions placement (as opposed to only public or rights issue earlier), it shall place the report received from the agency before the audit committee on a quarterly and annual basis, upon its receipt and submit the same to the stock exchange within 45 days from the end of each quarter.

3. Financial Results

a) The un-audited quarterly financial results along with limited review report prepared by the statutory auditors, who may in some cases be the Comptroller and Auditor General of India are to be submitted within 45 days of the end of each quarter, except the last quarter.
b) Listed entities can no longer intimate to the exchange about their intention to file its annual audited results within sixty days from the end of the financial year in lieu of submitting their financial results for the last two quarters.
c) The listed entity shall submit a statement of assets and liabilities and statement of cash flows as at the end of every half year, by way of a note, along with the financial results.
d) The listed entity shall submit to the stock exchange, along with the quarterly financial results, a statement indicating the utilisation of the issue proceeds and any material deviation of non-convertible securities which could earlier be submitted within 45 days from the end of the quarter.
e) If the listed entity has submitted both standalone and consolidated financial results, to the stock exchange, it shall publish consolidated financial results along with the line items referred to in regulation 52(4) of LODR, in the newspaper.

4. Scheme of Arrangement

a) Entities with listed non-convertible debt securities or non-convertible redeemable preference shares, that intend to undertake a scheme of arrangement shall file the draft scheme of arrangement with the stock exchanges. Upon sanction of the Scheme by the National Company Law Tribunal (NCLT), the listed entity shall submit documents* specified in the Regulation 59A of LODR, to the stock exchange and remit a non-refundable fee payable to SEBI

*It is to be noted that the validity of the No-objection letter shall be six months from the date of issuance, within which the draft scheme of arrangement shall be filed by the listed entity with NCLT.

b) These regulations shall not apply to a restructuring proposal approved as part of a resolution plan by the NCLT under the IB Code 2016.
c) Any listed entities which do not fall within the definition of "company" under the Companies Act, 2013 shall transfer any amount in the escrow account that remains unclaimed for seven years to the Investor Protection and Education Fund.

- **17.11.2022**

II. SEBI issues a circular notifying requirement for scheme(s) of arrangement by entities who have listed their Non-Convertible Debentures (NCDs)/ Non-Convertible Redeemable Preference Shares (NCRPS)

Key Highlights

Following are the requirements for scheme(s) of arrangement by entities who have listed their NCDs/ NCRPS:

1. **Choosing a Designated Stock Exchange**

2. **Submission of Documents like:** Draft scheme of arrangement/ amalgamation/ merger/ reconstruction, Valuation Report, Fairness opinion on the valuation of assets, Report from the board of directors of the listed entity recommending the draft scheme, Audited financials for the last 3 years, Auditor's Certificate, Detailed Compliance Report certified by the Company Secretary, Chief Financial Officer and the Managing Director ,No Objection Certificate and other declarations.

3. **Fulfilling conditions for schemes of arrangement involving unlisted entities.**
   - The listed entity shall include information pertaining to the unlisted entity involved in the scheme in the format specified for abridged prospectus
   - Unlisted entities can be merged with a listed entity only if the listed entity is listed on a Stock Exchange having

nationwide trading terminals and due diligence of the disclosures made is conducted by SEBI registered merchant banker.

- The Report on Complaints/ Comments received, and Report on the Unpaid dues/ fines/ penalties are to be filed with the Stock Exchanges as prescribed in the circular

4. **Disclosing information on the website and in the scheme of arrangement detailed in the circular.**
5. **Issuing Notices or proposals to the holders of NCDs/ NCRPS for seeking approval of scheme.**

- **21.11.2022**

MCA issues Notification to further amend the Companies (Registered Valuers and Valuation) Rules, 2017

Key highlights of the Notification are as follows:

1. Additional requirement for a Partnership entity or Company for registration as a Registered Valuer-
   - It has to be a member of a registered valuers organisation.
   - it shall not be a member of more than one such registered valuer organisation at a given point of time.
   - If the partnership entity or company has already registered itself as Registered Valuers, they shall comply **within six months of** commencement of these Rules, which is 21/11/2022.

2. **Intimation of changes by the registered valuer to authority:** Where there is any change with respect to personal details or any modifications in the composition of partners or directors, or any modification in any clause of the partnership agreement or MOA which may affect registration of registered valuer, or where there is a change in composition of its governing board, or its committees or appellate panel, the Registered value shall intimate the same to the authority, after paying the prescribed fees.

3. **Valuation Standards:** The valuer shall make valuations as per internationally accepted valuation standards **or** as per the valuation standards adopted by any registered valuer's organisation.

4. MCA has further issued a clarification relating to surrender of membership and expulsion from membership that a member functioning as a whole-time director in the company registered as valuer shall not be treated as taking up employment for the purpose of this provision.

The said rules shall come into force from the date of their publication in the Official Gazette.

- **22.11.2022**

BSE issues FAQs on Social Stock Exchange (SSE)

Further to recent amendments with regard to SSE, BSE has compiled the FAQs which addresses many aspects of it including the following:

1. Minimum reporting standards for a Social Enterprise
2. Eligibility criteria for registering with/raising funds through SSE
3. Instruments through which funds can be raised by For Profit/Not for Profit enterprises
4. Eligibility criteria for retail investors' participation in SSE
5. Lock-In period for raising of funds and
6. Requirement to carry out Social Audit by SSE-listed entities

- **24.11.2022**

SEBI amends PIT regulations to govern the trading in Mutual Fund units.

Key highlights of the amendment are as follows:

1. **Definition of 'Securities' is amended** to include the units of a Mutual Fund(MF); earlier it was explicitly omitted.
2. **Redemption and Switching of units of MF** will be considered as Trading activity and shall be construed as a 'trade' under PIT regulations.

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3. A new Chapter has been introduced to prescribe the procedure with respect to restrictions on communication in relation to and trading by insider in the units of MF. Summary of critical aspects of the new Chapter are as below:
   a. **Definition of a 'connected person'** with respect to a MF, Asset ,Management Company(AMC) and trustees and has also prescribed deemed connected persons, which would cover Board of Directors/KMP of sponsor of the MF; Directors or employees of registrar and share transfer agents, custodians or valuation agencies of MF; an official or an employee of fund accountant providing services to a mutual fund, who have access or are reasonably expected to have access to unpublished price sensitive information(UPSI) relating to a mutual fund scheme or its units in the course of business operations.
   b. **UPSI** shall include any information, pertaining to a scheme of a MF which is not generally available and which upon becoming generally available, is likely to **materially impact the Net Asset Value(NAV) or affect the interest of unit holders**.
   c. **Determination of 'legitimate purposes':** The board of directors of an AMC with the approval of the Trustees shall make a policy for determination of "legitimate purposes". No person shall procure from or cause the communication by any insider of UPSI, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
   d. **Trading when in possession of unpublished price sensitive information:** No insider shall trade in the units of a scheme of a MF, when in possession of UPSI, which may have a material impact on the NAV of a scheme or may have a material impact on the interest of the unit holders of the scheme. The dealings of a person in the units of a mutual fund when in possession of unpublished price sensitive information, shall be presumed to have been motivated by the knowledge and awareness of such information in his possession, unless proved to the contrary.
   e. **Disclosures:** An AMC shall, on such date as may be specified by the Board and **on a quarterly basis** thereafter, **disclose the details of holdings in the units of its MF schemes, on an aggregated basis**, held by the Designated Persons of AMC, trustees and their immediate relatives on the platform of Stock Exchanges or in any other manner as may be specified by the Board.
   f. **Code of Conduct:** The Board of Directors shall formulate a Code of Conduct, adhering to the minimum prescribed standards as set out in the Schedules to this Regulations for Mutual Funds to regulate, monitor and report trading by the Designated Persons in the units of own mutual fund schemes.
   g. The Chief Executive Officer / Managing Director of an AMC with the approval of the trustee or such other analogous person of an intermediary or fiduciary, shall put in place **adequate and effective system of internal controls** to ensure compliance with the requirements given in these regulations to prevent insider trading. The **Audit Committee** of the AMC or such other analogous body of an intermediary or fiduciary shall **review compliance with the provisions of these regulations at least once in a financial year** and shall verify that the systems for internal control are adequate and are operating effectively.
   h. An AMC shall with the approval of the trustees have a **Whistleblower Policy** that is brought to the notice of their employees to enable them to report instances of leak of such unpublished price sensitive information.

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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



To view the previous issues of *iComply* click here