

Editorial

Wish you all a joyous and a prosperous New Year. Happy 2024!

With each passing year, as technology continues to advance, dematerialization plays a crucial role in shaping the future of various sectors, promoting sustainability by reducing the reliance on physical resources and contributing to the seamless integration of digital solutions into our daily lives. Dematerialization has significantly reduced the risks associated with physical certificates, such as loss, theft, or forgery, while also promoting faster and more transparent transactions. In this backdrop, this newsletter contains an article on Dematerialization, covering its meaning, objective, the recent amendment, and its requirements.

We have also included exciting sections in the newsletter such as quiz and engaging brain teasers.

Our other regular features comprising of Gist of Changes in the Companies Act, 2013, SEBI's LODR, 2015 and IB Code, 2016, and Statutory Compliance Calendar for the month of January 2024.

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

Happy reading,
Team CimplyFive
January 05, 2024

What's more in this month's issue.

- ***What is Hot in Company Law?***
- ***Article for the Month***
- ***BLISS Tips for the Month***
- ***Test your Gray Matter!***
- ***BLISS Feature Updates***
- ***Compliance Calendar***
- ***Regulatory Changes***

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, SEBI (LODR) and IB code. Our site has crossed **35 million page-views** as on date and attracts over 6,000 users accessing around 25,000 pages a day. List of the most viewed sections in the Companies Act, LODR and IB Code in the month of December 2023 here is based on visitors to our site.

For the Month of December 2023
Companies Act, 2013 Top 5 Chartbusters

Rank in November	Change in Rank	Rank in December	Section reference	Section title
3	↑	1	62	Further issue of share capital
2	↔	2	179	Powers of Board
1	↓	3	188	Related party transactions
5	↑	4	135	Corporate Social Responsibility
4	↓	5	186	Loan and investment by company

There were no new sections in the top 5, however the rankings have changed.

LODR Top 5 Chartbuster Regulations

Rank in November	Change in Rank	Rank in December	Section reference	Section title
1	↔	1	30	Disclosure of Events or Information
2	↔	2	17	Board of Directors
3	↔	3	23	Related Party Transactions
4	↔	4	2	Definitions
5	↔	5	29	Prior Intimations

There were no new sections in the top 5 and the rankings remained the same.

IB Code Top 5 Chartbusters

Rank in November	Change in Rank	Rank in December	Section reference	Section title
1	↔	1	59	Voluntary liquidation of corporate persons
N	↑	2	33	Initiation of liquidation
3	↔	3	5	Definitions
N	↑	4	29	Preparation of information memorandum
4	↓	5	3	Definitions

Section 14 and 30 have been replaced with Section 33 and 29 in the top 5 Ranking.

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Article of the Month:

'Dematerialization Of Securities'

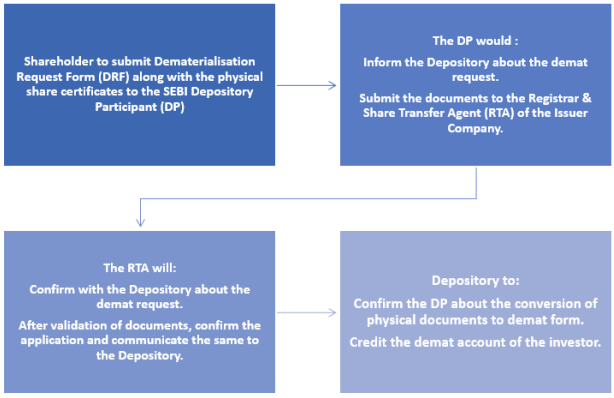
WHAT IS DEMATERIALIZATION?

Dematerialization, often referred to as demat, is the process of converting the physical securities into an electronic or digital format which is maintained by the dedicated depositories authorized by the Government of India. In this context, securities include any kind of shares, scripts, stocks, bonds, debentures, debenture stock or other marketable securities of a similar nature. The demat process involves transformation of the physical documents into electronic records. The securities are not on paper and a certificate to that effect does not exist. The idea behind the introduction of the Demat account was to do away with the complex process of physical trading where investors had to be present at the stock exchanges to buy and sell securities. With a Demat account, SEBI introduced the current form of online trading, where investors can buy and sell securities online and hold their investments virtually in the Demat account. Having a demat account with shares in electronic mode brings in several benefits such as easy access of shares and trading in online mode, centralized recordkeeping, safe and secure transactions, faster and smoother settlements, elimination of stamp duty etc.

DEMAT ACCOUNTS: THE PRESENT SCENARIO

Over the years, the Indian Capital market has evolved to offer better features and ease of trading to new-age investors. In today's digital age, one can open a demat account within minutes. The implementation of Depositories Act, 1996, has also ensured the success of the depository concept in the Indian Capital Market and in trading settlement. There are two depositories in India— National Securities Depository Limited ("NSDL") and Central Securities Depository Limited ("CDSL"). The issuer is the company that floats the shares, whereas the Depository Participant (DP) is a SEBI-registered entity that acts as an intermediary between the investor and the depository. A DP is the representative (agent) in the depository system providing the link between the company and the investor through the Depository. DP maintains investors' securities account balances and intimates them with the status of their holding from time to time. Investors can avail the depository services only through depository agents. Securities and Exchange Board of India ("SEBI") has also taken various initiatives to popularize the concept of dematerialization.

PROCESS OF DEMATERIALIZATION (DEMAT)



MANDATORY DEMAT OF SHARES FOR PRIVATE COMPANIES

The Ministry of Corporate Affairs (MCA) has, by way of a notification dated October 27, 2023, brought significant amendments in regulations pertaining to dematerialization of securities. Earlier every Public Limited Company was required to issue securities in dematerialized form only and Private Limited Companies were exempted and hence they could issue their securities in the form of a physical document. However, to bring greater transparency in the shareholding pattern of the Private Limited Companies, MCA has by way of aforesaid notification mandated Private Limited Companies (other than Small Company and Government Company) to dematerialize their existing securities and ensure further issue or transfer of securities in dematerialized form only.

OVERVIEW OF THE AMENDMENT

- **Provisions governing the mandatory demat of securities by Private Limited Company:**
  - Section 29 of Companies Act, 2013- Public offer of securities to be in dematerialized form read with the Rule 9 of Companies (Prospectus and Allotment of Securities) Rules, 2014

- **Applicability of the Amendment:**

  All Private Limited Companies (excluding Small Company and Government Company) must issue securities only in dematerialized form and facilitate the dematerialization of all its existing securities.

- **Timeline for compliance:**

  18 months from the date of closure of financial year ending on or after 31 March 2023 i.e., 30 September 2024.

- **Compliance action that needs to be taken by Private Limited Companies:**

  - Issue of securities only in dematerialized form
  - Facilitation of dematerialization of existing securities by making application to a depository
  - Mandatory dematerialization of entire holding of securities of its promoters, directors, key managerial personnel;
  - Transfer of shares, and subscription to other shares by existing shareholders, only in demat form;
  - To secure International Security Identification Number (ISIN) from a depository for each type of security and notify all its existing security holders of this facility
  - File form PAS – 6 (Reconciliation and Share Capital Audit Report) with the Registrar of Companies (ROC) within 60 days of the end of each half year duly certified by a Company Secretary in Practice or Chartered Accountant in Practice
  - Make timely payment of Fees (admission as well as annual) to the Depository, Registrar to an issue and Share transfer agent.
  - Maintenance of security deposit of 2 years' fees, as per agreement executed with the followings: Depository, Registrar to an issue and Share Transfer Agent
  - Compliance with the regulations, guidelines or circulars, if any, issued by the Securities and Exchange Board or Depository from time to time.

- **Grievance Redressal:**

  The grievances of the security holders of the private companies shall be filed before the Investor Education and Protection Fund Authority. The Authority shall then initiate any action against a Depository, Registrar to an issue or Share Transfer Agent after prior consultation with the Securities and Exchange Board of India.

- **Penalties for non-compliance:**

  In case the company or the security holders do not comply with the requirement to dematerialize their securities within the specified due date, the Company would be non-compliant of Section 29 of Companies Act, 2013 and the consequences shall apply as mentioned under Section 450 of the Companies Act. The company and every officer in default shall be liable to a penalty of ten thousand rupees, and in case of continuing contravention, with a further penalty of one thousand rupees for each day after the first during which the contravention continues, subject to a maximum of two lakh rupees in case of a company and fifty thousand rupees in case of an officer who is in default or any other person.

DEMATERIALIZATION OF SECURITIES - A WELCOME APPROACH

The amendments to the Companies (Prospectus and Allotment of Securities) Rules, 2014, pertaining to mandatory dematerialization of shares by Private Limited Companies would help in digitization of securities and shareholder's data on pan-India basis, thus bringing more transparency and investor protection thereby preventing malpractices in the corporate sector.

For the investors, the securities held by them in dematerialized form would provide various benefits which includes the elimination of risks associated with loss / theft of physical share certificates, ease in transfer of securities electronically and easy in holding and maintaining their securities in demat form. Furthermore, the grievance pertaining to dematerialized securities would be handled by Investor Education and Protection Fund Authority (IEPF), thereby improving investor confidence in the overall process.

While this amendment requires certain processes to be followed by the Private Limited Companies and investors, this would bring better Corporate Governance practices, transparency in dealing with securities electronically and eliminating various risks associated therewith.

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BLISS Tips for the Month

BLISS Tips #281: With BLISS download Extract of Resolutions with one click!

BLISS enables the user to download extract i.e., Certified True Copy ("CTC") of Resolutions passed at the Board meeting with a click of a button. The extract can be downloaded from the Minutes page either in word or PDF in user-defined formats. The downloaded extract may be instantaneously produced to the relevant authorities.

BLISS Tips #282: With BLISS, Generate, print, and distribute meeting documents seamlessly!

With BLISS, create documents for Board, Committees, and Shareholders Meetings in adherence to the statutorily mandated format as well as user define formats. Additionally, directors have the flexibility to comment on the documents emailed to them. The platform not only facilitates the creation and printing of documents but also streamlines the circulation process by allowing users to mail them to Directors and members directly from the tool. This functionality saves time and effort in managing the Meeting activities.

Bliss Feature Update!

BLISSLISTED, BLISSPLUS & BLISS -

1. **Group Reporting of Director Attendance:** Users will now be able to download in excel format the collated details of Director attendance in Board, Sub-Committee and Shareholder Meetings for all the Group Companies or a select set of Companies as may be required. This enables quick understanding
   of the director presence and helping in calculating the sitting fees, annual Attendance check for presence in at least one meeting and other statutory calculations, if any, easily.

2. **Restriction on setting the last 6 passwords:** From the security point of view, the users will now be restricted from using the same passwords as that of their last 6 passwords at the time of password reset.

3. **Sorting of Register entries:** On customer requirement, we now provide the users with an option to sort the Register entries based on "latest first" and "oldest first" order. You can now download the registers in excel and/or pdf formats in accordance with the chronology selected.
   This feature provides ease of use and flexibility by ensuring download of registers as per the client preferences.

4. **Multi-select and replicate of Agenda** – Users will now be able to replicate an Agenda of the Board/Sub-Committee or Shareholder meeting from one company to multiple companies by just selecting the names of companies to which it should get replicated. Flexibility to replicate an agenda of a committee meeting to any other committee across multiple companies at the same time is also made available with this enhancement. This feature helps the users with group of companies to replicate at once a particular meeting across their Group cos.

BLISSLISTED & BLISSPLUS -

1. **Attachment page numbers in index:** In template-based Agenda creation, it will now be possible for the users to enhance their index page view by indicating the Agenda Item and attachment page numbers individually and separately in a "from and to" page numbers format. This enhancement makes the template-based creation of Agenda more customizable and comprehensive to meet the user preferences.

2. **Vote cast confirmation:** Vote Confirmation pop-up is introduced in order to ensure that the Circular Resolution votes get casted by the Director only when they select their vote i.e., whether For/Against/Abstain and also click 'Ok' on confirmation pop-up to confirm their votes. This ensures that circular votes mails are not triggered when the directors have clicked on the for/against/abstain button inadvertently.

Test your Gray Matter!! Take our Quiz and Brain teasers to find out!

1. The open offer for acquiring shares to be made by the acquirer and persons acting in concert shall be for atleast _____ percent of total shares of the target company as on tenth working day of closure of tendering period
   a. Twenty-five
   b. Ten
   c. Twenty-Six
   d. Twenty

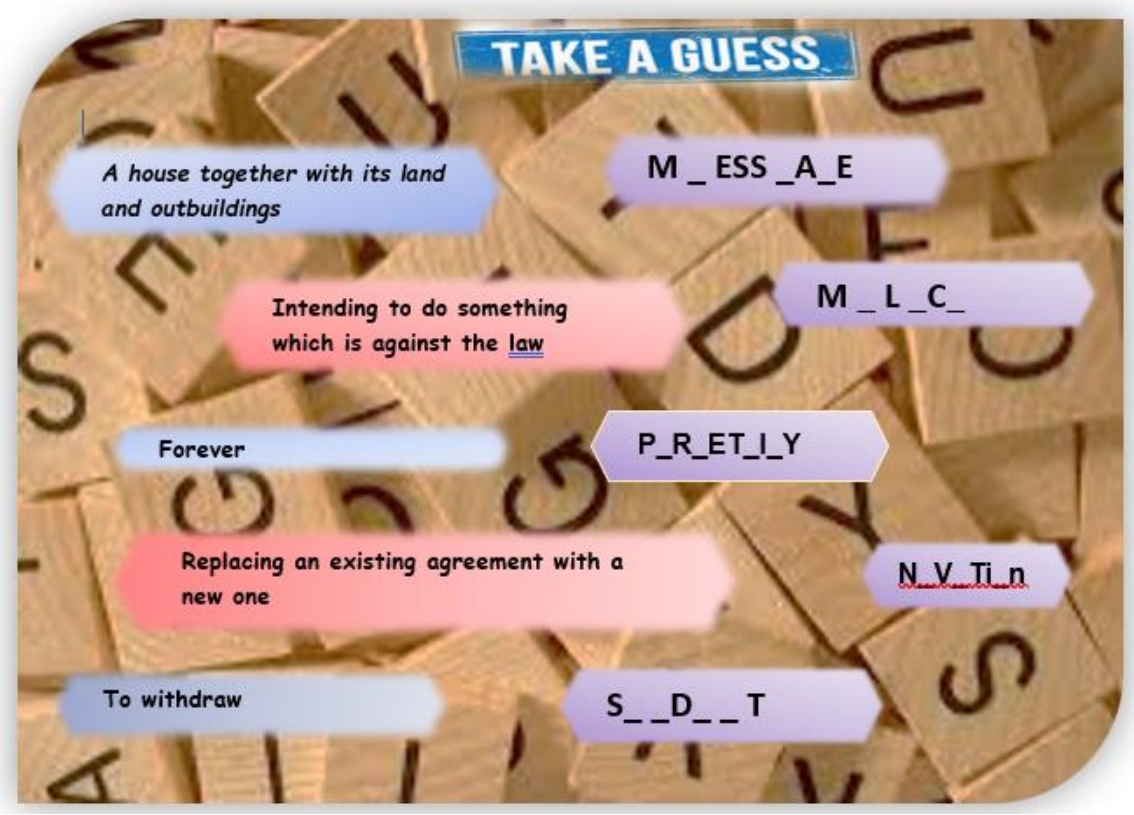
2. A listed Non-Profit Social Organization shall submit the statement of utilization of funds on a _____ basis
   a. Yearly
   b. Monthly
   c. Quarterly
   d. Fortnightly

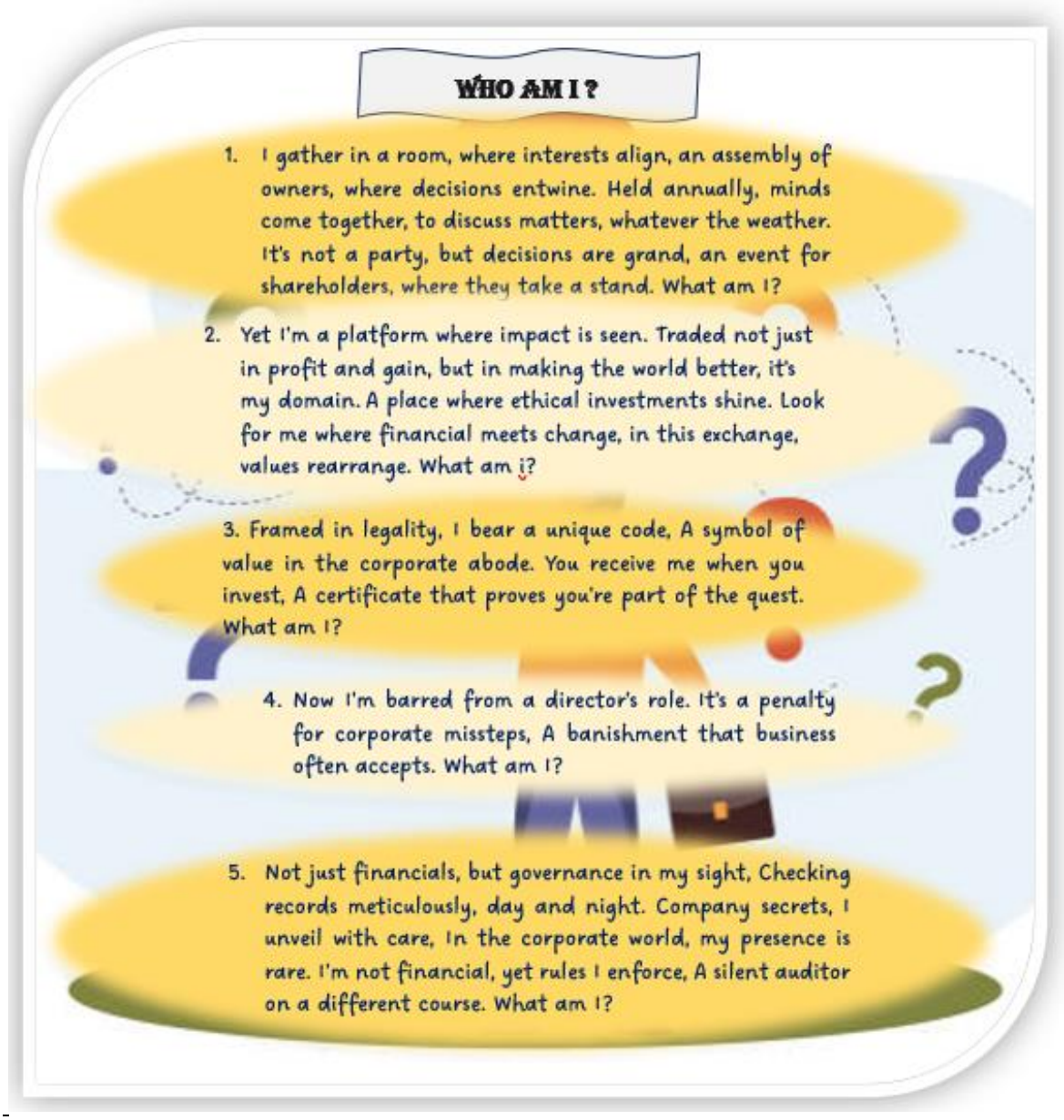
3. Every Key Managerial Personnel of a listed entity, upon his appointment shall disclose his holding of securities on the date of appointment within _____ of appointment.
   a. One Month
   b. Ten Days
   c. Two Days
   d. Seven Days

4. Fast track insolvency resolution shall be completed within _____ days of insolvency commencement date
   a. Ninety
   b. One Hundred and Twenty
   c. Thirty
   d. Three Hundred and Thirty

5. For a Company not having share capital, _____ of total number of its members can file a Class action suit before the Tribunal
   a. One-tenth
   b. One-fifth
   c. Half
   d. One-fourth

Brain Teasers




WHO AM I ?
1. I gather in a room, where interests align, an assembly of owners, where decisions entwine. Held annually, minds come together, to discuss matters, whatever the weather. It's not a party, but decisions are grand, an event for shareholders, where they take a stand. What am I?
2. Yet I'm a platform where impact is seen. Traded not just in profit and gain, but in making the world better, it's my domain. A place where ethical investments shine. Look for me where financial meets change, in this exchange, values rearrange. What am i?
3. Framed in legality, I bear a unique code, A symbol of value in the corporate abode. You receive me when you invest, A certificate that proves you're part of the quest. What am I?
4. Now I'm barred from a director's role. It's a penalty for corporate missteps, A banishment that business often accepts. What am I?
5. Not just financials, but governance in my sight, Checking records meticulously, day and night. Company secrets, I unveil with care, In the corporate world, my presence is rare. I'm not financial, yet rules I enforce, A silent auditor on a different course. What am I?

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 for the month of January 2024

Compliances for Companies under Companies Act, 2013			
Sl. No.	**Compliance Requirement**	**Section/ Rules**	**Due Date**
NIL			
SEBI (LODR) Regulations, 2015 Compliances			
Sl. No.	**Compliance requirement**	**Regulation reference**	**Timeline**
1.	Investor Complaints Statement	13(3)	Within 21 days of end of quarter- January 21
2.	Corporate Governance Report	27(2)(a)	Within 21 days of end of quarter- January 21
3.	Shareholding Pattern	31(1)(b)	Within 21 days of end of quarter- January 21
4.	Reconciliation of Share Capital Audit Report (SEBI (Depositories and Participants) Regulations, 2018	76	Within 30 days of end of quarter- January 30
SEBI (PIT) Regulations, 2015			
Sl. No.	**Compliance requirement**	**Regulation reference**	**Timeline**
1	Continual Disclosures by Every promoter, and director of every company shall disclose to the company number of securities acquired or disposed, if the value of the securities traded, in a calendar quarter, exceeds traded value in excess of 10 Lac	7(2)	Within two trading days of receipt of the disclosure or from becoming aware of such information
SEBI (SAST) Regulations, 2011			
Sl. No.	**Compliance requirement**	**Regulation reference**	**Timeline**
1.	Any acquirer who acquires shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, aggregating to 5% or more of the shares of such target company, shall disclose their aggregate shareholding and voting rights in such target company.	29(1)	Within 2 Working days of receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company
2.	Any acquirer, who together with persons acting in concert with him, holds shares or voting rights entitling them to five per cent or more of the shares or voting rights in a target company, shall disclose every acquisition or disposal of shares of such target company representing two per cent or more of the shares or voting rights in such target company.	29(2)	Within two working days of the receipt of intimation of allotment of shares, or the acquisition of shares or voting rights in the target company
3.	The Promoter shall disclose details of shares in such target company encumbered by him or by PAC's with him in such form as may be specified.	31(1)	Within 7 working days from the creation of encumbrance
4.	A Promoter shall disclose details of invocation of such encumbrance or release of such encumbrance of shares in such form as may be specified.	31(2)	Within 7 working days from the invocation or release of encumbrance as the case may be

Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of December 2023

- **01-12-2023**

SEBI extends timeline for implementation of circular pertaining to Redressal of investor grievances through the SEBI Complaint Redressal (SCORES) Platform and linking it to Online Dispute Resolution platform.

SEBI vide its Circular dated 20/09/2023 regarding revised mechanism for redressal of investor grievances, which rescinds the master circular, had notified the effective date of the provisions mentioned in the circular as 04/12/2023. However, the effective date of implementation of the said provisions has been extended to 01/04/2024.

The entities shall continue to submit the Action Taken Report ("ATR") on SCORES within 21 calendar days from receipt of the complaint as directed in the earlier circular. (Read more...)

- **08-12-2023**

Filing of certain announcements in XBRL format on NEAPS platform and BSE listing centre with effect from December 09, 2023

NSE and BSE vide this circular have notified the date for filing the following announcements/disclosures in XBRL format:

1. Loss of Share Certificate/Issue of Duplicate Share Certificate
2. Closure of Trading Window
3. Corporate Insolvency Resolution Process

The Exchange will, in earlier stages, consider the PDF filings as compliance under Regulation 30 of the SEBI LODR. However, all listed entities are required to also submit the filings in XBRL mode within 24 hours of submission of the said PDF filing.

At a later stage, Exchange will shift to submission in XBRL, effective date for which is yet to be notified.

XBRL utility for the above-mentioned subjects is available on the NEAPS platform at the path COMPLIANCE >> Common XBRL Upload >> Equity Announcement- XBRL, basis the selection of the 'Subject of Announcement' and in XBRL section of the BSE Listing Centre respectively.

Further, iXBRL utility for the afore-mentioned three events shall be made available at the path Report >> Announcement XBRL Report. (Read more...)

- **21-12-2023**

IBBI provides clarification regarding submission of particulars and declaration by the Insolvency Professionals ("IPs") in the application filed by creditors in Part IV of Form C of Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Resolution Process for Personal Guarantors to Corporate Debtors) Rules, 2019 ("IRP PGCD Rules")

Rule 7 of the IRP PGCD Rules allows the creditor to file for initiation of Insolvency Resolution Process of personal guarantors to Corporate Debtors. The Creditor may file such application either by himself or jointly with other creditors or through a Resolution Professional ("RP"). IBBI vide this circular clarifies that in case the creditor has filed the application himself recommending the name of an IP to be appointed as a RP, the IP shall also provide the particulars and declaration in Part IV of Form C of IRP PGCD Rules to the creditor for the consideration of the Adjudicating Authority.

SEBI replaces the requirement for Social Audit with Social Impact Assessment vide the SEBI (LODR)(Seventh Amendment) Regulations, 2023

Pursuant to the Regulation 91E of the SEBI (LODR) Regulations, 2015, a social enterprise is required to submit an annual impact report to the Social Stock Exchange. Earlier, the annual impact report was required to be audited by a Social Audit Firm employing a Social Auditor. SEBI vide the said regulation, now requires the annual impact report to be assessed by a Social Impact Assessment Firm employing Social Impact Assessor.

Solution for Quiz:

1. c	2. c
3. d	4. a
5. b	

Solution for Take a Guess:

1.	Messuage
2.	Malice
3.	Perpetuity
4.	Novation
5.	Subduct

Solution for Who am I ? :

1. Shareholder's Meeting	2. Social stock Exchange
3. Share Certificate	4. Director disqualification
5. Secretarial Auditor	

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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