

Editorial

IFSCs have a great potential to expand trade and development, with the ambitious vision laid out in various areas of financial services. The exemptions and relaxations provided in various enactments make IFSCs one of the major facilitators to have a smooth and easy business channel in the country. This also expands the role of various professionals in Corporate Governance, banking sector and legal services to contribute to scaling these institutions and developing a more transparent and robust system of compliances. In our article of the month, we have explored the various relaxations and exemptions provided to IFSCs under the Companies Act, 2013 and its roles in our economy.

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

Our other regular features comprise 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 August 2024.

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

Happy reading,
Team CimplyFive
September 05, 2024

What's more in this month's issue.

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

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 **42 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 August 2024 here is based on visitors to our site.

For the Month of August 2024
Companies Act, 2013 Top 5 Chartbusters

Rank in July	Change in Rank	Rank in August	Section reference	Section title
N	↑	1	129	Financial Statements
1	↓	2	179	Powers of Board
3	↔	3	188	Related party transactions
2	↓	4	62	Further issue of share capital
N	↑	5	135	Corporate Social Responsibility

Sections 186 and 117 have been replaced with Sections 129 and 135 in the top 5 Ranking.

LODR Top 5 Chartbuster Regulations

Rank in July	Change in Rank	Rank in August	Regulation reference	Regulation title
1	↔	1	30	Disclosure of Events or information
2	↔	2	17	Board of Directors
4	↑	3	34	Annual Report
5	↑	4	23	Related Party Transactions
N	↑	5	33	Financial Results

Regulation 29 has been replaced with Regulation 33 in the top 5 Ranking.

IB Code Top 5 Chartbusters

Rank in July	Change in Rank	Rank in August	Section reference	Section title
1	↔	1	5	Definitions (Part 2, Chapter 1)
2	↔	2	10	Initiation of corporate insolvency resolution process by corporate applicant
N	↑	3	21	Committee of Creditors.
4	↔	4	29	Preparation of information memorandum.
N	↑	5	30	Submission of Resolution Plan.

Sections 33 and 4 have been replaced with Sections 21 and 30 in the top 5 Ranking.

 Copyright © 2024, CimplyFive

Article of the Month:

An overview of IFSCs

Introduction

As per Section 2 (q) of SEZ Act, 2005, "International Financial Services Centres" means an International Financial Services Centre which has been approved by the Central Government under sub-section (1) of Section 18 of SEZ Act, 2005. In layman terms, IFSC is a designated zone established within a Special Economic Zone ("SEZ") which is a hub wherein financial entities can be set-up for providing various financial services viz. corporate banking, insurance, investment and fund management, trading of securities, etc., to persons across borders.

As widely known, an SEZ is an area in which business and trade laws are different from the rest of the country, and are aimed at ease of trade, business and relaxed taxation and regulatory compliance, which are useful in attracting foreign investments and to encourage domestic companies to take advantage of the infrastructural facilities provided within an SEZ.

Services provided by IFSCs

- Fund-raising services for individuals, corporations and governments.
- Asset management and global portfolio diversification undertaken by pension funds, insurance companies and mutual funds.
- Wealth management.
- Global tax management and cross-border tax liability optimization, which provides a business opportunity for financial intermediaries, accountants and law firms.
- Global and regional corporate treasury management operations that involve fund-raising, liquidity investment and management and asset-liability matching
- Risk management operations such as insurance and reinsurance.
- Merger and acquisition activities among trans-national corporations

IFSC- Regulatory Authority

As explained in the previous sections, Central Government may approve the setting up of an International Financial Services Centre in a SEZ and prescribe the requirements for setting up and operation of such Centre and may approve only one IFSC in a SEZ.

It is pertinent to add that since a multitude of financial services such as foreign exchange, stock broking, wealth management, foreign investments, banking institutions, insurance, etc. are covered under and governed by various regulators and laws, there is a high degree of risks involved in overviewing an IFSC, which increases the burden of compliances and nullifies the purpose of making it an IFSC. Hence, a separate and unified regulator has been set up for overviewing of IFSCs called International Financial Services Centres Authority ("IFSCA"), which is headquartered in GIFT City, Gandhinagar, Gujarat, and acts as a single regulatory authority of IFSCs.

IFSCA as an authority was set up under the powers provided by the International Financial Services Centres Authority Act, 2019 ("IFSCA Act"), which empowers IFSCA to regulate the entities situated in IFSC. The powers of IFSCA came into effect from September 29, 2020, while some provisions of the IFSCA Act were made effective from April 27, 2020, and August 21, 2020.

Applicability of Domestic Laws

We have established that the primary regulatory authority of an IFSC is IFSCA, however, it brings the next question on whether an IFSC is a company or if any other domestic laws are applicable to such entities?

It may be noted that ALL companies established under the Companies Act, 2013 need to comply with the provisions of the Act. IFSCs are no exception to that. Hence, if an entity within an IFSC is incorporated as a company, then provisions of Companies Act, 2013 are applicable.

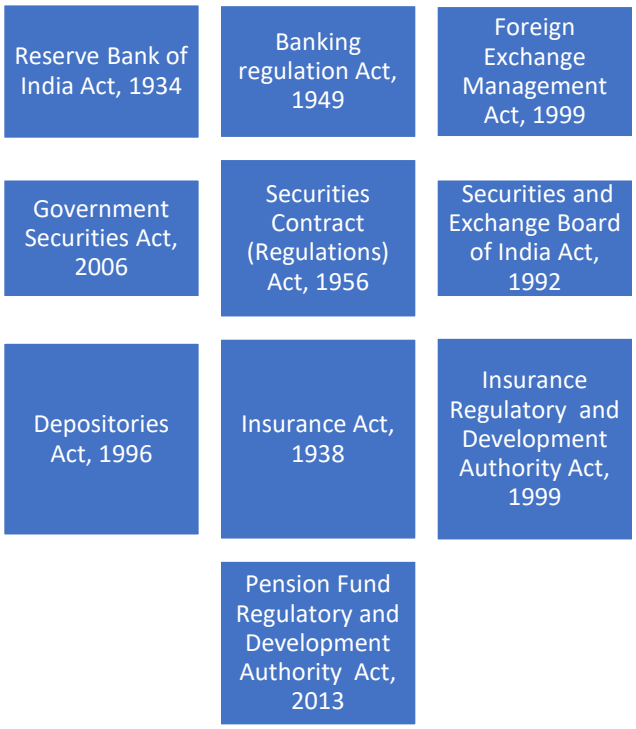
However, many provisions of Companies Act, 2013 have been amended to include many exemptions and relaxations to IFSCs, which shall be discussed in detail in the later section of the article.

 Copyright © 2024, CimplyFive

Similarly, provisions of Income Tax Act, 1961 and Goods and Services Act, 2017 also cover IFSCs under its regulatory ambit, albeit with relaxations.

Domestic Laws subsumed by IFSCA

The following are the some of the laws which are subsumed (instead of being governed by the domestic laws) by IFSCA:



Provisions under Companies Act, 2013 – A comparison

Following is a table highlighting the difference in provisions between an IFSC and other Companies:

Sl. no.	Section	Provision applicable to other companies	Provision applicable to IFSCs
1.	Section 3	A company formed may be either— (a) a company limited by shares; or (b) a company limited by guarantee or (c) an unlimited company	A Specified IFSC public and private company shall be formed only as a company *limited by shares*
2.	Section 4(1)(a)	The name of the company shall contain the word 'Limited' in the case of a public limited company, or the 'Private Limited' in the case of a private limited company as the last word	A Specified IFSC public and Private company shall have the *suffix* "International Financial Service Company" or "IFSC" as part of its name.
3.	Section 4	The objects for which the company is proposed to be incorporated, and any matter considered necessary in furtherance	Specified IFSC public and private company shall state its objects as to provide financial services activities, as permitted under the Special Economic Zones Act,

Sl. no.	Section	Provision applicable to other companies	Provision applicable to IFSCs
			2005 (28 of 2005) read with relevant Rules and any matter considered necessary in furtherance thereof, *in accordance with license to operate*
4.	Section 89(6)	Declaration in respect of beneficial interest to be done in within 30 days from the date of receipt of such declaration.	Declaration in respect of beneficial interest to be done in within 60 days from the date of receipt of such declaration for public and private IFSC.
5.	Section 117(1)	Filing of MGT-14 is within 30 days from the date of passing special resolution or any other matters as specified in the Section	Filing of MGT-14 is relaxed to 60 days from the date of passing special resolution or any other matters as specified in the Section for public and private IFSC.
6.	Section 117(3)(g)	Resolutions passed by the Board under Section 179(3) are to be filed by certain companies with the ROC	This provision shall not apply to specified public and private IFSC
7.	Section 135	CSR provisions are applicable for all companies which crosses prescribed thresholds	CSR not applicable to Specified IFSC public company and IFSC Private Company (even if they cross thresholds) for a period of 5 years from the date of commencement of business
8.	Section 138	Internal audit applicable mandatorily if prescribed thresholds are crossed	Not applicable unless specified in Articles of Association
9.	Section 152(5)	DIR-12 to be filed for appointment of directors within 30 days	Relaxation provided to IFSC Public and private companies as DIR-12 to be filed for appointment of directors within 60 days
10.	Section 173	First Board meeting to be held within 30 days of incorporation and thereafter required to	First meeting relaxed to 60 days from the date of incorporation and thereafter hold one

 Copyright © 2024, CimplyFive

Sl. no.	Section	Provision applicable to other companies	Provision applicable to IFSCs
		hold a minimum of four meetings in a year	meeting in each half of the calendar year
11.	Section 177	Audit committee applicable for certain companies on crossing threshold limits	Section shall not apply to specified IFSC Public Companies
12.	Section 178	Nomination and remuneration committee applicable for certain companies on crossing threshold limits	Section shall not apply to specified IFSC Public Companies
13.	Section 180	There are certain restrictions on the powers of the Board on certain transactions, wherein the Act mandates the requirement of passing a special resolution.	This section shall not apply to Private IFSCs. Shall apply to Public IFSCs unless otherwise specified in the Articles of Association of the Company.
14.	Section 186(1)	Section 186(1) mandates all companies to have not more than two layers of investment companies as subsidiaries	This provision does not apply to IFSCs
15.	Section 186(2), 186(3) and Section 186(5)	If threshold of loans, investments, guarantee or security extended by a Company to another is crossed, Special resolution is required to be passed at a General Meeting	Board resolution at the Board meeting or by circulation would suffice
16.	Second proviso of Section 188(1)	Related party shall not vote on a resolution to approve any contract or agreement in which they are interested	Not applicable to IFSC companies
17.	Section 196(4)	Subject to Section 197 and Schedule V of the Companies Act, 2013, remuneration payable and terms and conditions of appointment of a managing director, whol e-time director or	Does not apply to IFSCs

 Copyright © 2024, CimplyFive

Sl. no.	Section	Provision applicable to other companies	Provision applicable to IFSCs
		manager, is subject to approval of directors, then members at the general meeting	
18.	Section 197	Computation of managerial remuneration in case of inadequacy of profits	Does not apply to specified IFSC Public Companies

Different roles of IFSCs

The introduction of IFSCs is a significant step taken by the Government in propelling the economy of the country forward, and to ensure that these hubs can enhance foreign investments and promote ease of doing business. These special economic zones act as a vital place for a variety of financial operations, from banking and securities trading to aircraft leasing, to name a few.

1. **Global Scaling**

   Listing securities on IFSC exchanges gives access to foreign investors, which leads to a greater global outreach. In addition, the multiple relaxations and exemptions provided under various laws like the Companies Act, 2013 and the Income Tax, 1961, pave way for a greater level of flexibility and ease in regulatory compliances.

2. **Fintech Hub**

   IFSCs can emerge as a hub for fintech, as it has the infrastructure, tax breaks, research facilities and simplified rules to draw leading FinTech companies around the world and facilitate an environment for blockchain, digital payments, and Artificial Intelligence.

3. **Education Centres**

   IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centre) Regulations, 2022, regulations permit the setting up and operation of International Branch Campuses and offshore education centers. This shall lead to increased quality of education and increases opportunities for domestic students and also attract foreign universities to set up such offshore campuses.

4. **Ease of multicurrency transactions**

   Multiple platforms are set up, with streamlined technology and security to facilitate multiple currency transactions, with robust connectivity. Through efficient cross-border trade support, it lowers transaction costs, increases transparency and reduces risks, enabling businesses to reach a wider global audience.

5. **Aircraft and Ship leasing structures**

   IFSCs have the potential to be pioneers in crafting sophisticated aircraft and ship leasing structures and solutions. Tax exemptions on income from leasing services and transactions gives a great competitive advantage. In addition, this also enables to meet the soaring demand for air travel and seafaring. It also promotes better connectivity and ease in trading and transportation.

6. Banking Platform

International Trade Finance Services Platform (ITFS) is a platform which is a synergy of cutting-edge technology to improve and expedite banking, trade and finance around the world. Improved banking practices to meet the international standards, fostering fintech innovation, governance is some of the features which can enable IFSC companies to become a prominent banking channel across the country and internationally.

Conclusion

IFSCs have a great potential to expand trade and development, with the ambitious vision laid out in various areas of financial services. The exemptions and relaxations provided in various enactments make IFSCs one of the major facilitators to have a smooth and easy business channel in the country. This also expands the role of various professionals in Corporate Governance, banking sector and legal services to contribute to scaling these institutions and developing a more transparent and robust system of compliances.

Undoubtedly, IFSCs may emerge as a front runner in realizing the goals of Viksit Bharat @ 1947 and play a crucial role in the development of better trade practices and shall contribute majorly to the development of the economy.

BLISS Tips for the Month

BLISS Tips #299: BLISS facilitates end-to-end automation of Circular Resolutions.

Business exigencies may require a company to adopt circular resolution to be approved by the Board of Directors instead of conducting a formal Board Meeting. BLISS seamlessly automates the entire Circular Resolution process. Users can easily create and email the Circular Resolution to the Directors for their approval. The Directors can cast their vote from the same mail through the vote buttons provided therein. Once the majority is attained, the Approval date is automatically captured in the tool and as statutorily required, the circular resolution automatically gets added as an agenda item in the immediate next Board Meeting for taking note. Additionally, circular resolution can be created for both Board and Committee meetings.

BLISS Tips #300: Sharing survey reports made easy using CIMPLYBEST!

CIMPLYBEST is a tailor-made software designed for Board Evaluation, seamlessly blending the requirements of Indian Corporate Law with global best practices. It encompasses custom-built surveys tailored for Indian corporates, covering areas such as the Board, Chairperson, Sub-committees, Independent Directors, and Executive Directors.

It facilitates the users to create and share multiple surveys with an option to generate survey reports in graphical and excel formats for increased transparency and anonymity in presentation of the same.

Test your Gray Matter!! Take our Brain Teasers to find out!

1. The term refers to any restriction on the free and marketable title to shares, including pledges, liens, negative liens, non-disposal undertakings, and similar covenants, transactions, conditions, or arrangements, whether executed directly or indirectly

_N_U_B_A_N_E

2. This term refers to the facility available on Stock Exchanges for acquiring shares through a separate window, specifically used for executing offers

A_C_I_I_O_ W_N_O_

3. This term describes an offer made by an entity other than the original acquirer to acquire shares from the target company's shareholders

C_M_E_I_G O_F_R

4. This term refers to a privately pooled investment vehicle that gathers funds from investors and invests them based on a defined policy

A_T_R_A_I_E I_V_S_M_N_ F_N_

5. This term refers to a penalty where a stock exchange permanently removes a listed company's securities from the exchange, typically due to non-compliance with listing requirements

C_M_U_S_R_ D_L_S_I_G

Test your Gray Matter!! Take our Quiz to find out!

1. Which of the following statements must a listed Not for Profit Organization submit to the Social Stock Exchange(s) on a quarterly basis in respect of the utilisation of funds raised?

a) Category-wise amount of monies raised and balance amount remaining unutilised.

b) Category-wise amount of monies raised, category-wise amount of monies utilised, and balance amount remaining unutilised.

c) Only category-wise amount of monies utilised.

d) Total amount of monies raised and utilised, without category-wise details.

2. According to the notification dated 21st December 2023, which entity is responsible for assessing the annual impact report of a listed Not for Profit Organization?

a) Social Audit Firm employing Social Auditors.

b) Social Impact Assessment Firm employing Social Impact Assessors.

c) Independent Financial Auditors.

d) Internal Compliance Team of the Organization.

3. How many working days in advance must a listed entity provide notice to the recognised stock exchange(s) when fixing a record date for the payment of dividends or distribution of other corporate benefits to IDR Holders?

a) Two working days

b) Three working days

c) Four working days

d) Five working days

 Copyright © 2024, CimplyFive

4. A Company making a private placement or an offer or invitation under Section 42, shall allot the securities within __ days from the date of receipt of the application money.

a. 15 days

b. 30 days

c. 45 days

d. 60 days

5. Under which condition is a company prohibited from making an application under sub-section (2) of section 248?

a) If the company has increased its share capital in the last three months.

b) If the company has changed its name or shifted its registered office from one State to another in the previous three months.

c) If the company has appointed a new director in the last three months.

d) If the company has issued debentures in the last three months.

 Copyright © 2024, CimplyFive

Board Leaders Integrated Software Solution

BLISSPLUS

BLISSPLUS 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. It also has multiple premium features like Directors view, facility to store past Secretarial records, automated compliance tracker for size- based compliance under the Companies Act, 2013.

BLISSLISTED

BLISSLISTED is 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.

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.

Clear Compass

Clear Compass is an All-law Compliance Software to ascertain, track and manage all the applicable state, central and industry-specific laws.

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 are updated every business day by 11 AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com

 Copyright © 2024, CimplyFive

Compliance Calendar for the month of September 2024

Compliances for Companies under Companies Act, 2013			
Sl. No.	**Compliance Requirement**	**Section/ Rules**	**Due Date**
1.	DIR-3 KYC	Rule 12 A of the Companies (Appointment and Qualifications of directors) Rules, 2014	To be filed on or before 30th September 2024
2.	AOC-4	Section 137 read with Rule 12(1) of Companies (Accounts) Rules, 2014	To be filed within 30 days from the date of AGM
3.	AOC-4 (XBRL)	Section 137 and read with Companies (Filing of documents and Forms in XBRL) Rules	To be filed within 30 days from the date of AGM
4.	MGT-7 and MGT-7A	Section 92 read with Rule 11(1) of the Companies (Management and Administration) Rules, 2014	To be filed within 60 days from the date of AGM

 Copyright © 2024, CimplyFive

Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of August 2024.

- **01-08-2024**

Revision in forms and reports to be filed by Social Enterprises

The Social Stock Exchange Advisory Committee (SSEAC) has revised the formats for filing Annual Disclosures and Annual Impact Report by Social Enterprises in the manner as provided below:

1. **Form 1A:** Annual Self-Disclosure Report (covering general and governance disclosure aspects that are not dependent on statutory financial audit)

2. **Form 1B:** Annual Self-Disclosure Report (covering disclosures of general, governance and finance aspects that have a reference to audited financial statements) and Annual Social Impact Report by Social Enterprise (Report to be prepared Annually by Social Enterprises for significant Social Projects/programs not funded through Listing on SSE).

3. **Form 2.1:** Annual Social Impact Report by Social Enterprise (Report to be prepared Annually by Social Enterprises for Social Projects/programs funded by security listed on SSE).

4. Guiding Framework on Logic Model for integrating Theory of Change in projects to be listed in Social Stock Exchange.

The formats for the forms are provided as annexures in the circular.

- **06-08-2024**

Introduction of an electronic adjudication platform

Vide this notification, MCA has amended the Companies (Adjudication of Penalties) Rules, 2014 w.e.f. 16th September 2024 and introduced an e-adjudication platform developed by the Central Government. From the effective date, all proceedings (including issue of notices, filing replies or documents, evidences, holding of hearing, attendance of witnes ses, passing of orders and payment of penalty) of adjudicating officer and Regional Director shall take place only through the said electronic platform.

In case of non-availability of the e-mail address of any concerned person, the notice or summons will be sent via post to the last intimated address or the one available in the records and the officer shall preserve its copy in the e-adjudication platform. However, if the address of the person concerned is not available, the notice shall be directly placed on the e-adjudication platform.

Form No. ADJ has also been revised with minor informative changes and following major additions to the existing form-

1. Mandatorily mentioning the Order ID number of the adjudication order appealing against mentioning the details thereof

2. An appellant can now appeal on behalf of other appellants by stating their details.

3. In the event of delay in filling the appeal, appellant can also justify the reason for such delay.

4. Additional non-mandatory attachments now include - a copy of authorisation in favour of authorised representative, if any and Order of condonation of delay, if any.

- **13-08-2024**

Introduction of a Valuation Report Identification Number ("VRIN") for valuation conducted by Register Valuer under Insolvency and Bankruptcy Code, 2016 ("The Code")

Vide this circular, it has been decided to provide a Valuation Report Identification Number (VRIN) for each valuation conducted under the Code. The RV/ RVEs shall generate a unique VRIN for each valuation report by logging into the online module hosted on the IBBI website and the same shall be mentioned on the front page of the valuation report. Stakeholders may verify the authenticity of the valuation report by using the VRIN.

Filing of form FC-1 with the Registrar, Central Registration Centre

From 09th September, 2024, Form FC-1 is to be filed by foreign companies within 30 days of establishing its place of business in India with the Registrar, Central Registration Centre, (which is an initiative of MCA for speedy incorporation related services in line with global

best practices) as against the earlier requirement of filing it with the Registrar.

- **19-08-2024**

Introduction of IBBI (Information Utilities) (Amendment) Regulations, 2024

Vide this notification, the Board has inserted a procedure for verification of information before issuance of a record of default and amended the below-mentioned timelines w.e.f. 01st October 2024, within which the information utility shall undertake the authentication and verification of the information of default.

1. The utility shall deliver the information of default to the debtor seeking confirmation now **within 7 days**.

2. The utility shall allow a timeline of **7 days** as against 3 days post each reminder for the debtor to respond for confirming the information of default.

W.e.f. 01st December 2024-

1. The above communication shall be made to the address submitted in Form C of the Schedule by a financial creditor or any other creditor except for a corporate debtor.

2. When a debtor disputes a part of the default amount or only the non-financial information, the information utility shall record the status of authentication as 'authenticated' in respect of the undisputed default amount, in case the financial creditor is a bank included in the second schedule of the RBI Act, 1934.

3. The debtor shall further provide the reason for such dispute and upload the evidence for the same and

4. The specified financial creditors shall follow the manner of recording the status as mentioned therein.

Introduction of IBBI (Inspection and Investigation) (Amendment) Regulations, 2024

Vide this notification, the Disciplinary Committee shall now dispose of the show-cause notice within a period of 60 days from the due date for receipt of reply to the show-cause notice as against the earlier timelines of 35 days of the date of the issuance of the show-cause notice.

Solution for Brain Teasers	**Solution for Quiz**
1. Encumbrance	1. B
2. Acquisition Window	2. B
3. Competing Offer	3. C
4. Alternative Investment Fund	4. D
5. Compulsory Delisting	5. B

About CimplyFive

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

Vision

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



To view the previous issues of *iComply* click here