

Veritas Finance Private Limited

# REGULATORY UPDATE

December 2018

[www.veritasfin.in](http://www.veritasfin.in)



# INTRODUCTION

## Objective:

Keeping up to date with Legislations, Rules and Practices applicable to our NBFC sector to stay compliant and be aware of repercussions, to plan consequential actions, to add value to business and to achieve a competitive edge.

**Period:** December 2018

## Coverage:

The Newsletter would broadly cover the following applicable areas;

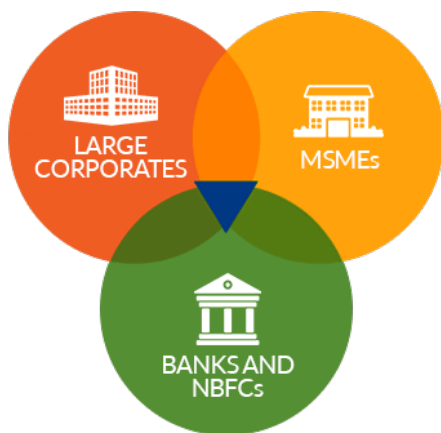
| Particulars                                | Page No. |
|--|----------|
| Reserve Bank of India                      | 3        |
| Securities and Exchange Board of India     | 7        |
| Insolvency and Bankruptcy code, 2016 (IBC) | 9        |
| Ministry of Corporate Affairs              | 10       |
| GST updates                                | 17       |
| CENTRAL KYC REGISTRY                       | 18       |

## Veritas Finance Pvt Ltd

SKCL Central Square 1, South Wing, 1st Floor,  
Unit # C28 – C35, CIPET Road,  
Thiru Vi Ka Industrial Estate, Guindy, Chennai-600 032.

[www.veritasfin.in](http://www.veritasfin.in)

## RESERVE BANK OF INDIA



MSMEs are the back bone of Indian Economy and despite the important role played by them in country's overall economic growth, continue to face constraints in obtaining adequate finance, particularly in terms of their ability to convert their trade receivables into liquid funds.

A Committee on Financial Sector Reforms (FSR), headed by the present Reserve Bank of India (RBI) Governor, Dr. Raghuram Rajan, in 2008, in its report "Hundred Small Steps" recommended setting up of Electronic Bill Factoring Exchanges, whereby MSME bills against large companies could be accepted electronically and auctioned, to ensure prompt realisation of trade receivables at competitive rates.

Based on the FSR Committee recommendations, SIDBI in collaboration with NSE, had taken the initiative to set up an E-discounting platform to support financing of MSME receivables. The platform was named NTREES (Trade Receivables Engine for E-discounting, Prefix 'N' stands for NSE and Suffix 'S' stands for SIDBI). The NTREES platform is based on the reverse factoring model, where credit exposure is taken by large Purchaser / Corporates, who offer the invoices drawn by its MSME suppliers for discounting and SIDBI as the Financier discounts the same and credits the proceeds to MSME bank accounts through RTGS. The platform is designed based on the Mexican model (National Financiers – NAFIN) for bidding of MSME receivables and was envisaged to be implemented in three phases. Phase - I supporting single banking arrangement, is currently operational.

### TReDS Evolution

To facilitate setting up of Electronic Bill Factoring Exchanges, RBI had issued guidelines related to Trade Receivable e-Discounting System (TReDS) on December 3, 2014. TReDS is an institutional mechanism for facilitating the financing of trade receivables of MSMEs through multiple financiers. TReDS will facilitate by creating an electronic platform / Electronic Bill Factoring Exchanges, whereby MSME bills against large companies can be accepted electronically and auctioned, to ensure prompt realisation of receivables at competitive rates.

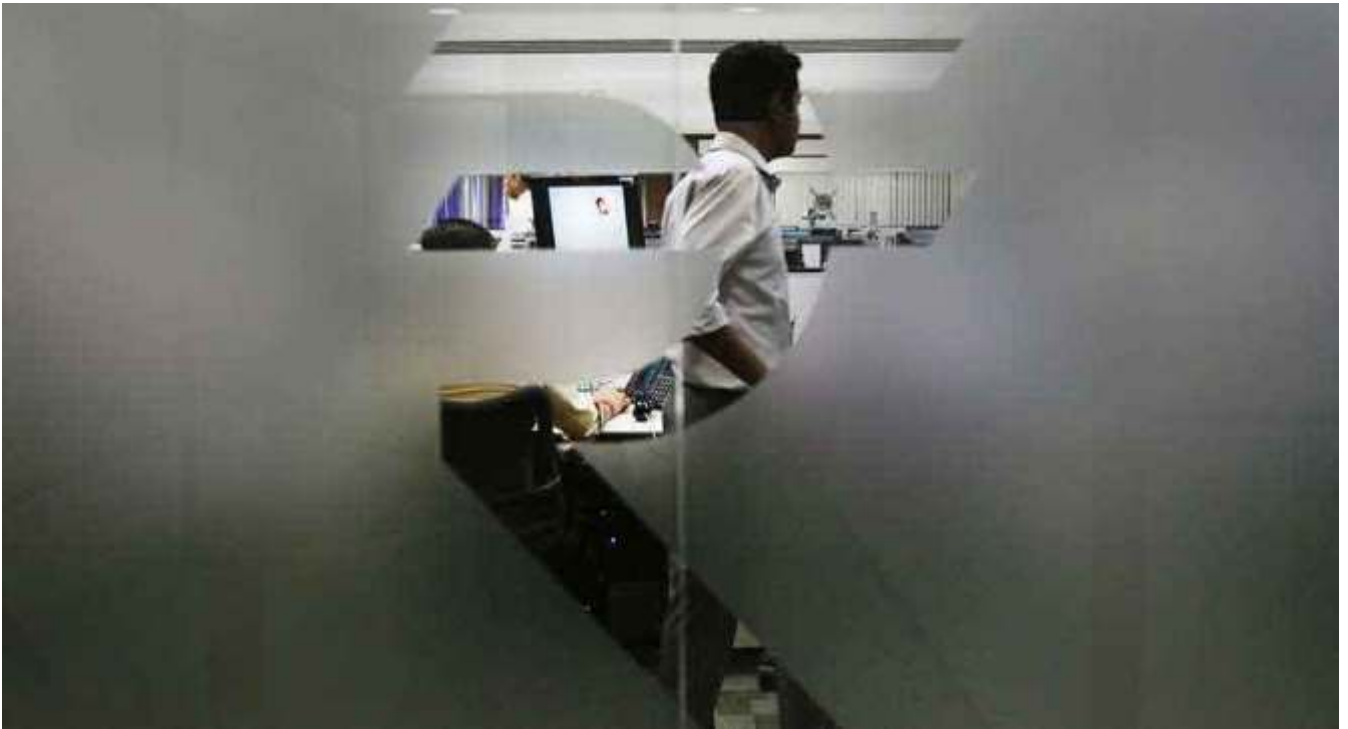
MSME sellers, corporate and other buyers, including the Government Departments and PSUs, and financiers (both banks and NBFC factors) will be direct participants in the TReDS. The bankers joining the platform as financiers can offer their bids/ discount rates against each factoring unit (invoice / bill of exchange) and the MSME seller is free to accept any of the bids. Upon acceptance of the bid, the factoring unit will be financed by the concerned banker/financier. Factoring is done without recourse to sellers.

Receivables Exchange of India Ltd (RXIL), a joint venture between SIDBI and NSE has been set up to operate a TReDS Platform for factoring of the invoices of the MSME's in compliance with TReDS guidelines issued by RBI.

### Mandatory registration on TReDS

All companies registered under the Companies Act, 2013, having a turnover of more than Rs. 500 crore and all Central Public Sector Enterprises (CPSE) shall now compulsorily be required to onboard on the Trade Receivables e-Discounting System (TReDS) platform. TReDS is a platform which paves ways for faster payments to the MSMEs. The MSME sector was facing problems of cash cycle which is solved by this platform. Joining this portal will enable MSMEs to access credit from banks, based on their upcoming receivables from the empaneled companies and CPSEs. The Ministry of Micro, Small and Medium Enterprises has also issued a notification in this regard on November 2, 2018.

## RBI RULES OUT SPECIAL LIQUIDITY WINDOW FOR NBFCs



Reserve Bank of India has ruled out any special liquidity window for non-banking finance company with Governor Urjit Patel saying there is no liquidity stress in the system.

A special liquidity window for NBFCs was one of the key points in the difference of opinion between RBI and the government leading to acrimonious public rift between the two institutions ever since the liquidity crisis broke out following defaults by IL&FS and its group in the last half of September.

The banking regulator has been in regular touch with market watchdog Sebi to access the fallout of mutual fund redemption and rollover risk for NBFCs and housing finance companies. RBI has also taken a slew of measures to improve cash flows for NBFCs.

It allowed banks to provide partial credit enhancement on bonds raised by NBFC and HFCs, helping raise credit quality of bonds. It has also relaxed securitisation rules to allow the risk to be transferred to better funded bank balance sheets.

These measures have collectively eased the funding stressed in a steady manner over the past two months. Governor Urjit Patel said that the liquidity needs arising from the growth in currency and the central bank's foreign currency operations were met through a mixture of tools based on an assessment of the evolving liquidity conditions.

RBI injected durable liquidity amounting to Rs 36000 crore in October and Rs 50000 crore in November through open market purchase operations, bringing total durable liquidity injection to Rs 1.36 lakh crore for 2018-19 so far. Liquidity injected under the daily liquidity adjustment facility on an average daily net basis, was Rs 56000 crore in October, Rs 80600 crore in November and Rs 10500 crore in the first four day of December.

RBI promised to increase the frequency and quantum of open market operation till march and plans to conduct long term repo auctions to tide over advanced tax outflows.

# Statement on Developmental and Regulatory Policies

## December 05, 2018

This Statement sets out various developmental and regulatory policy measures for strengthening regulation and supervision; broadening and deepening of the financial markets; and enhancing customer education, protection and financial inclusion.

### I. Regulation and Supervision

#### 1. External Benchmarking of New Floating Rate Loans by Banks

The Report of the Internal Study Group to Review the Working of the Marginal Cost of Funds based Lending Rate (MCLR) System (Chairman: Dr. Janak Raj) released on October 4, 2017 for public feedback, had recommended the use of external benchmarks by banks for their floating rate loans instead of the present system of internal benchmarks [Prime Lending Rate (PLR), Benchmark Prime Lending Rate (BPLR), Base rate and Marginal Cost of Funds based Lending Rate (MCLR)]. As a step in that direction, it is proposed that all new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks from April 1, 2019 shall be benchmarked to one of the following:

#### 2. Mandatory Loan Component in Working Capital Finance

With a view to promoting greater credit discipline among working capital borrowers, it was proposed in the Statement on Developmental and Regulatory Policies announced on April 5, 2018 to stipulate a minimum level of 'loan component' in fund-based working capital finance for larger borrowers. Accordingly, the draft guidelines in this regard were issued on June 11, 2018 for comments of the stakeholders. Taking into account the views of the stakeholders, the final guidelines which take effect from April 1, 2019 are being issued.

#### 3. Aligning Statutory Liquidity Ratio with Liquidity Coverage Ratio

As per the existing roadmap, scheduled commercial banks have to reach the minimum Liquidity Coverage Ratio (LCR) of 100 per cent by January 1, 2019. Presently, Statutory Liquidity Ratio (SLR) is 19.5 per cent of Net Demand and Time Liabilities (NDTL). Further, the assets allowed to be reckoned as Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing the LCR of banks, inter alia, include (a) Government securities in excess of the minimum SLR requirement; and (b) within the mandatory SLR requirement, Government securities to the extent allowed by RBI under (i) Marginal Standing Facility (MSF) [presently 2 per cent of the bank's NDTL] and (ii) Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [presently 13 per cent of the bank's NDTL]. In order to align the SLR with the LCR requirement, it is proposed to reduce the SLR by 25 basis points every calendar quarter until the SLR reaches 18 per cent of NDTL. The first reduction of 25 basis points will take effect in the quarter commencing January 2019.

#### 4. Board of Management in Primary (Urban) Co-operative Banks (UCBs)

The Expert Committee on licensing of new Urban Co-operative Banks (2010) under the chairmanship of Shri Y.H. Malegam had recommended, inter alia, that a Board of Management (BoM) be constituted in every Primary (Urban) Co-operative Bank (UCB), in addition to the Board of Directors (BoD) with a view to strengthening governance in the UCBs. This was reiterated by the High Powered Committee on Urban Co-operative Banks (Chairman: Shri R. Gandhi) constituted in January 2015.

Reserve Bank of India had released draft guidelines on constituting BoM in UCBs on June 25, 2018 inviting comments from banks and other stakeholders. It is proposed in the guidelines to require UCBs to make a provision in their bye laws for setting up a BoM. The guidelines also propose that regulatory approvals such as expansion of area of

operation and opening of new branches may be allowed only for UCBs that have made such a provision in their bye laws. Taking into consideration the responses received, it is proposed to issue final guidelines by the end of December 2018.

## **II. Financial Markets**

### **5. Access for Non-Residents to the Interest Rate Derivatives Market**

It was proposed in the Statement on Developmental and Regulatory Policies announced on April 5, 2018 that non-residents shall be given access to the Rupee Interest Rate Derivatives (IRD) market in India. The draft directions in this regard propose allowing non-residents to hedge their rupee interest rate risk flexibly using any available IRD instrument. Non-residents will also be permitted to participate in the Overnight Indexed Swap (OIS) market for non-hedging purposes, subject to a macro-prudential limit on exposure of all non-residents in terms of the interest rate risk undertaken (measured as Pv01). Draft directions are being issued today for public feedback.

### **6. Measures to Improve Liquidity Management by Banks**

Currently, the Cash Reserve Ratio (CRR) balance of banks at the end of the day is being disclosed with a lag of 2-3 days, while the details of the currency in circulation are being released with a lag of one week. In order to enable banks to forecast their liquidity requirements with a greater degree of precision, it has been decided that the Reserve Bank will provide information on daily CRR balance of the banking system to market participants on the very next day. Accordingly, the daily Money Market Operations press release will contain the CRR figure for the previous day, with effect from December 6, 2018.

### **7. Rationalisation of Borrowing and Lending Regulations under FEMA, 1999**

As part of the ongoing efforts at rationalising multiple regulations framed over a period of time under FEMA, 1999, it is proposed to consolidate the regulations governing all types of borrowing and lending transactions between a person resident in India and a person resident outside India in both foreign currency and INR, in consultation with the Government. The proposed regulations, viz., Foreign Exchange Management (Borrowing or Lending) Regulations, 2018 shall subsume the existing Notification No. FEMA. 3/2000-RB dated May 3, 2000, Notification No. FEMA. 4/2000-RB dated May 3, 2000 and Regulation 21 of Notification No. FEMA. 120/RB-2004 dated July 7, 2004, and rationalise the extant framework for external commercial borrowings and Rupee denominated bonds with a view to improving the ease of doing business. The consolidated regulation and guidelines will be issued by the end of December 2018.

## **III. Customer Education, Protection and Financial Inclusion**

### **8. Ombudsman Scheme for Digital Transactions**

With the digital mode for financial transactions gaining traction in the country, there is an emerging need for a dedicated, cost-free and expeditious grievance redressal mechanism for strengthening consumer confidence in this channel. It has therefore been decided to implement an 'Ombudsman Scheme for Digital Transactions' covering services provided by entities falling under Reserve Bank's regulatory jurisdiction. The Scheme will be notified by the end of January 2019.

## **9. Framework for Limiting Customer Liability in respect of Unauthorised Electronic Payment Transactions involving Prepaid Payment Instruments**

The Reserve Bank has issued instructions on limiting customer liability in respect of unauthorised electronic transactions involving banks and credit card issuing non-banking financial companies (NBFCs). As a measure of consumer protection, it has been decided to bring all customers up to the same level with regard to electronic transactions made by them and extend the benefit of limiting customer liability for unauthorised electronic transactions involving Prepaid Payment Instruments (PPIs) issued by other entities not covered by the extant guidelines on the subject. The guidelines will be issued by the end of December 2018.

## **10. Expert Committee on Micro, Small and Medium Enterprises**

Micro, Small and Medium Enterprises (MSMEs) contribute significantly to employment, entrepreneurship and growth in the economy. They remain, by their predominantly informal nature, vulnerable to structural and cyclical shocks, at times with persistent effects. It is important to understand the economic forces and transactions costs affecting the performance of the MSMEs, while often the rehabilitation approach to the MSMEs stress has focused on deploying favourable credit terms and regulatory forbearances. To this end, an Expert Committee will be constituted by the Reserve Bank of India to identify causes and propose long-term solutions for the economic and financial sustainability of the MSME sector. The composition of the Committee and its Terms of Reference will be finalised by the end of December 2018 and the report will be submitted by the end of June 2019.

---

# **SECURITIES AND EXCHANGE BOARD OF INDIA**

The IBBI (Insolvency Resolution Process For Corporate Persons) (Fourth Amendment) Regulations, 2018

SEBI/HO/CFD/CMD1/CIR/P/2018/0000000149 December 7, 2018

To All Listed entities / All the Recognised stock exchanges/All the Depositories

**Sub:** Disclosure of significant beneficial ownership in the shareholding pattern

1. Vide SEBI Circular No. CIR/CFD/CMD/13/2015 dated November 30, 2015, a format has been prescribed for disclosure of holding of specified securities and shareholding pattern under Annexure-I to the circular.

2. Vide notification dated June 14, 2018, Ministry of Corporate Affairs has notified the Companies (Significant Beneficial Owners) Rules, 2018 under which various requirements pertaining to disclosures regarding Significant Beneficial Owners have been specified.

3. In the interest of transparency to the investors in the securities market, the following is specified:

3.1. All listed entities shall disclose details pertaining to significant beneficial owners in the format prescribed at Annexure to this circular.

3.2. The format specified in the Annexure to this circular shall be Table V under clause 5 of the format of holding of specified securities specified in the aforesaid circular No. CIR/CFD/CMD/13/2015 dated November 30, 2015. The circular No. CIR/CFD/CMD/13/2015 dated November 30, 2015 shall stand modified to that extent.

3.3. All the terms specified in this circular shall have the same meaning as specified in Companies (Significant Beneficial Owners) Rules, 2018.

4. The Stock Exchanges are advised to bring the provisions of this Circular to the notice of listed entities and also to disseminate the same on its website.

This Circular shall come into force with effect from the quarter ended March 31, 2019. 6. This Circular is issued in exercise of the powers conferred under Section 11 and Section 11A of the Securities and Exchange Board of India Act, 1992 read with Regulation 31 and Regulation 101(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories "Listing Regulations" and "Legal".

---

## SEBI PLANS TO ALLOW CUSTODIAL SERVICES IN COMMODITY DERIVATIVES MARKET



Markets regulator Sebi plans to allow custodial services in the commodity derivatives market to enable institutional participation.

The proposal is likely to be discussed at Securities and Exchange Board of India's (Sebi) board meeting on Wednesday, officials said.

Under the proposal, existing custodians will be permitted to add commodities as an asset class and provide physical delivery of both securities and commodities, they added.

Current, regulation on custodian of securities provide for safekeeping of securities or gold or gold related instruments or title deeds of real estate and services incidental but do not provide for safekeeping of goods, which are underlying assets of commodity derivatives.

To enable participation of institutional investors in commodity derivatives market, it has been proposed to make necessary amendments in the custodian regulations so as to provide for requisite custodial services.

It has also been proposed that responsibility of custodians will not be limited to holding of securities but would also include holding of goods.

The proposal is aimed at enabling participation of institutional investors such as mutual funds and portfolio managers in the commodity derivatives market.



# INSOLVENCY AND BANKRUPTCY CODE, 2016(IBC)

## NCLT Chennai Stresses Need To Set Norms For Evaluation Of Resolution Plans By Committee Of Creditors

The Chennai Bench of the NCLT has called for 'standard operating procedures' to be followed by members of the committee of creditors (CoC), for determining the viability of resolution plans under the Insolvency and Bankruptcy Code. The order for developing procedures is directed towards members of CoC and requires the banking division of the Ministry of Finance to be consulted for it.

## NCLAT'S Judgment on Moratorium in Cheque Bounce Cases



Recently, the National Company Law Appellate Tribunal while deciding whether the order of moratorium will cover criminal proceedings under Section 138 of Negotiable Instruments (NI) Act, has held in *Shah Brothers Ispat Pvt Ltd vs P. Mohanraj & Ors*, that the proceedings under Section 138 of the NI Act, 1881 would not fall within the purview of Section 14 of the Insolvency and Bankruptcy Code, 2016.

The reasoning of the appellate authority for reaching such a finding was that the proceedings under Section 138 NI Act are penal in nature, empowering a court of competent jurisdiction to pass order of imprisonment or fine, which were held not to fall under the category of a proceeding, judgment or decree of money claim.

According to the NCLAT, imposition of fine cannot be held to be a money claim or recovery against the corporate debtor, nor the order of imprisonment, if passed by the court of competent jurisdiction on the directors, held to come within the purview of Section 14 IBC.

In fact, as per the NCLAT, no criminal proceeding would be covered under Section 14 IBC.

Strangely enough, the NCLAT despite acknowledging that the only punishment that can be imposed against a corporate debtor/ company for the offence under Section 138 NI Act is that of fine, completely ignored the scope and purpose of Section 14 IBC and the judgment of the Supreme Court of India in *M/s Meters and Instruments Private Limited vs Kanchan Mehta*, (2018) 1 SCC 560.

# MINISTRY OF CORPORATE AFFAIRS

## APPLICABILITY AND NON-APPLICABILITY RULES FOR NFRA (NATIONAL FINANCIAL REPORTING AUTHORITY):

As per the Rule 3 (1) of NFRA Rules, 2018, NFRA will have jurisdiction over the following class of companies or bodies corporate, namely:

1. Indian Companies whose securities are listed on any stock exchange in India or outside India;
2. Unlisted public companies falling under the below threshold as on 31st March of immediately preceding Financial Year:
  - a. having paid-up capital of not less than Rs. 500/- crores or;
  - b. having annual turnover of not less than Rs. 1,000/- crores or;
  - c. having, in aggregate, outstanding loans, debentures and deposits of not less than Rs. 500/- crores.
3. Insurance companies, banking companies, companies engaged in the generation / supply of electricity, companies governed by any special Act (i.e RBI, SBI, UTI, LIC, etc) and bodies corporate incorporated by an Act as the Central Government may specify by notification.
4. Body Corporate/Companies/Persons or any class of them referred by the Central Government to the NFRA in public interest;
5. Body Corporate Incorporated or registered outside India which is:
  - a. Subsidiary company or Associate company of the company or body corporate registered in India as referred in point (1) to (4) above; and
  - b. Income or net worth of such Subsidiary or Associate company exceeds 20% of the consolidated income or consolidated network of such company or the body corporate.

Further, the companies or body corporates, other than a company governed under this rule, shall continue to be governed by the Authority for a period of three (3) years after it ceases to be listed or its paid-up capital or turnover or aggregate of loans, debentures and deposits falls below the limit stated therein. (Rule 3(4))

### Non-Applicability of Rules

Considering the above rule 3, following classes of companies will not be governed by NFRA:

1. Private Companies;
2. Unlisted public companies with paid-up capital or turnover or aggregate of loans, debentures and deposits below the limit stated in Rule 3(1) and
3. Limited Liability Partnership (LLP)

[Note: this exemption is always subject to point (4) above where the Central Government may refer any Body Corporate/Companies (including Private Company)/Persons to the NFRA in public interest]

**MCA notifies Companies (cost records and audit) Amendment Rules, 2018 to further amend Companies (cost records and audit) Rules, 2014.**

**GOVERNMENT OF INDIA - MINISTRY OF CORPORATE AFFAIRS**

**NOTIFICATION**

New Delhi, the 3rd December, 2018

G S R..... (E).- In exercise of the powers conferred by sub-sections (1) and (2) of section 469 and section 148 of the **Companies Act, 2013** (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (cost records and audit) Rules, 2014, namely:-

1. (1) These rules may be called the Companies (cost records and audit) Amendment Rules, 2018.
- (2) They shall come into force on the date of their publication in the official Gazette.

2. In the **Companies (cost records and audit) Rules, 2014** (hereinafter referred to as the Principal Rules). in rule 3. in TABLE, under the heading (B) Non-regulated Sectors,-

(i) against Si. No. 7 for the words “services rendered by a Port in relation to a vessel or goods regulated by the Tariff Authority for Major Ports” the words, figures and brackets “services rendered for a Port in relation to a vessel or goods regulated by the Tariff Authority for Major Ports under the Major Port Trusts Act, 1963 (38 of 1963)”, shall be substituted;

(ii) against Sl. No. 8 for the words `by airports’ the words ‘at the airports’ shall be substituted;

(iii) against Sl. No. 13, after the entry ‘8608’, the entry ‘8609’ shall be inserted.,

(iv) against Si. No. 19, after the entry ‘5303’, the entry ‘5307’ shall be inserted;

(v) against Sl. No. 28, for the words ‘Paper’, the words ‘Pulp and Paper’ shall be substituted and before the entry ‘4801 to 4802’ the entry ‘4701 to 4704’ shall be inserted ;

(vi) against Sl. No. 29, after the entry ‘5303’, the entry ‘5307’ shall be inserted;

(vii) against Sl. No. 33, in point no. (xiii), for the word `deflobillator’ the word `defibrillators’ shall be substituted:

3. in rule 6, in sub-rule (6), the following proviso shall be inserted, namely:-

“Provided that the Companies which have got extension of time of holding Annual General Meeting under section 96 (1) of the Companies Act, 2013, may file form CRA-4 within resultant extended period of filing financial statements under section 137 of the Companies Act, 2013.”

4. In the principal rules, in Annexure,-

(i) in Form CRA-1, paragraph number 31 shall be inserted, namely:-

“31. Unit of Measurement (UOM).

The Unit of Measurement (UOM) for each Customs Tariff Act Heading, wherever applicable, shall be the same as provided for in the Customs Tariff Act, 1975 (51 of 1975) corresponding to that particular Customs Tariff Act Heading.”;

# GOVERNMENT OF INDIA

## MINISTRY OF CORPORATE AFFAIRS NOTIFICATION

New Delhi, 18th December, 2018

**G.S.R.(E).** In exercise of the powers conferred by clause (41) of section 2, section 3, sub-section (1) of section 7, section 10A, section 14 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Incorporation) Rules, 2014, namely: –

1. (1) These rules may be called the **Companies (Incorporation) Fourth Amendment Rules, 2018**.

(2) They shall come into force on the date of their publication in the official Gazette.

2. In the Companies (Incorporation) Rules, 2014 (hereinafter referred to as the said rules), after rule 23, the following rule shall be inserted, namely:-

“23A. Declaration at the time of commencement of business.- The declaration under section 10A by a director shall be in Form No.INC-20A and shall be filed as provided in the Companies (Registration Offices and Fees) Rules, 2014 and the contents of the said form shall be verified by a Company Secretary or a Chartered Accountant or a Cost Accountant, in practice:

Provided that in the case of a company pursuing objects requiring registration or approval from any sectoral regulators such as the Reserve Bank of India, Securities and Exchange Board of India, etc., the registration or approval, as the case may be from such regulator shall also be obtained and attached with the declaration.”

3. In the said rules, after rule 39, the following rules shall be inserted, namely:-

“40.Application under sub-section (41) of section 2 for change in financial year

(1) The application for approval of concerned Regional Director under sub-section (41) of section 2, shall be filed in e-Form No.RD-1 along with the fee as provided in the Companies (Registration Offices and Fees) Rules, 2014 and shall be accompanied by the following documents, namely:

- (a) grounds and reasons for the application;
- (b) a copy of the minutes of the board meeting at which the resolution authorising such change was passed, giving details of the number of votes cast in favour and or against the resolution;
- (c) Power of Attorney or Memorandum of Appearance, as the case may be;
- (d) details of any previous application made within last five years for change in financial year and outcome thereof along with copy of order.

(2) Where the Regional Director on examining the application, referred to in sub-rule (1), finds it necessary to call for further information or finds such application to be defective or incomplete in any respect, he shall give intimation of such information called for or defects or incompleteness, on the last intimated e-mail address of the person or the company, which has filed such application, directing the person or the company to furnish such information, or to rectify defects or incompleteness and to re-submit such application within a period of fifteen days, in e-Form No. RD-GNL-S.

Provided that a maximum of two re-submissions shall be allowed.

(3) (a) In case where such further information called for has not been provided or the defects or incompleteness has not been rectified to the satisfaction of the Regional Director within the period allowed under sub-rule (2), the Regional Director shall reject the application with reasons within thirty days from the date of filing application or within thirty days from the date of last re-submission made as the case may be.

(b) In case where the application is found to be in order, Regional Director shall allow and convey the order within thirty days from the date of application or within thirty days from the date of last re-submission, as the case may be.

(c) where no order for approval or re-submission or rejection has been explicitly made by the Regional Director within the stipulated time of thirty days, it shall be deemed that the application stands approved and an approval order shall be automatically issued to the applicant.

(4) The order conveyed by the Regional Director shall be filed by the company with the Registrar in Form No. INC-28 within thirty days from the date of receipt of the order along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014.

1. Application under section 14 for conversion of public company into private company. (1) An application under the second proviso to sub-section (1) of section 14 for the conversion of a public company into a private company, shall, within sixty days from the date of passing of special resolution, be filed with Regional Director in e-Form No. RD-1 along with the fee as provided in the Companies (Registration Offices and Fees) Rules, 2014 and shall be accompanied by the following documents, namely:

(a) a draft copy of Memorandum of Association and Articles of Association, with proposed alterations including the alterations pursuant to sub-section (68) of section 2;

(b) a copy of the minutes of the general meeting at which the special resolution authorising such alteration was passed together with details of votes cast in favour and or against with names of dissenters;

(c) a copy of Board resolution or Power of Attorney dated not earlier than thirty days, as the case may be, authorising to file application for such conversion;

(d) declaration by a key managerial personnel that pursuant to the provisions of sub-section (68) of section 2, the company limits the number of its members to two hundred and also stating that no deposit has been accepted by the, company in violation of the Act and rules made thereunder;

(e) declaration by a key managerial personnel that there has been no non-compliance of sections 73 to 76A, 177, 178, 185, 186 and 188 of the Act and rules made thereunder; (f) declaration by a key managerial personnel that no resolution is pending to be filed in terms of sub-section (3) of section 179 and also stating that the company was never listed in any of the Regional Stock Exchanges and if was so listed, all necessary procedures were complied with in full for complete delisting of the shares in accordance with the applicable rules and regulations laid down by Securities Exchange Board of India:

Provided that in case of such companies where no key managerial personnel is required to be appointed, the aforesaid declarations shall be filed any of the director.

(2) Every application filed under sub-rule (1) shall set out the following particulars, namely:

(a) the date of the Board meeting at which the proposal for alteration of Memorandum and Articles was approved;

(b) the date of the general meeting at which the proposed alteration was approved;

(c) reason for conversion into a private company, effect of such conversion on shareholders, creditors, debenture holders, deposit holders and other related parties;

(d) details of any conversion made within last five years and outcome thereof along with copy of order;

(e) details as to whether the company is registered under section 8.

(3) There shall be attached to the application, a list of creditors, debenture holders, drawn up to the latest practicable date preceding the date of filing of application by not more than thirty days, setting forth the following details, namely:

(a) the names and address of every creditor and debenture holder of the company;

(b) the nature and respective amounts due to them in respect of debts, claims or liabilities;

(C) in respect of any contingent or unascertained debt, the value, so far as can be justly estimated of such debt:

Provided that the company shall file an affidavit, signed by the Company Secretary of the company, if any, and not less than two directors of the company, one of whom shall be managing director, where there is one, to the effect that they have made a full enquiry into affairs of the company and, having done so, have formed an opinion that the list of creditors and debenture holders is correct, and that the estimated value as given in the list of the debts or claims payable on contingency or not ascertained are proper estimates of the values of such debts and claims that there are no other debts, or claims against, the company to their knowledge.

(4) A duly authenticated copy of the list of creditors and debenture holders shall be kept at the registered office of the company and any person desirous of inspecting the same may, at any time during the ordinary hours of business, inspect, and take extracts from the same on payment of ten rupees per page to the company.

(5) The company shall, at least twenty-one days before the date of filing of the application\_

(a) advertise in the Form No.1NC.25A, in a vernacular newspaper in the principal vernacular language in the district and in English language in an English newspaper, widely circulated in the State in which the registered office of the company is situated;

(b) serve, by registered post with acknowledgement due, individual notice on each debenture holder and creditor of the company; and

(c) serve, by registered post with acknowledgement due, a notice to the Regional Director and Registrar and to the regulatory body, if the company is regulated under any law for the time being in force.

(6) (a) Where no objection has been received from any person in response to the advertisement or notice referred to in sub-rule (5) and the application is complete in all respects, the same may be put up for orders without hearing and the concerned Regional Director shall pass an order approving the application within thirty days from the date of receipt of the application.

(b) Where the Regional Director on examining the application finds it necessary to call for further information or finds such application to be defective or incomplete in any respect, he shall within thirty days from the date of receipt of the application, give intimation of such information called for or defects or incompleteness, on the last intimated e-mail address of the person or the company, which has filed such application, directing the person or the company to furnish such information, to rectify defects or incompleteness and to re-submit such application within a period of fifteen days in O-Form No. RD-GNL-5:

Provided that maximum of two re-submissions shall be allowed.

(c) In cases where such further information called for has not been provided or the defects or incompleteness has not been rectified to the satisfaction of the Regional Director within the period allowed under sub- rule (6), the Regional Director shall reject the application with reasons within thirty days from the date of filing application or within thirty days from the date of last re-submission made, as the case may be.

(d) Where no order for approval or re-submission or rejection has been explicitly made by the Regional Director within the stipulated period of thirty days, it shall be deemed that the application stands approved and an approval order shall be automatically issued to the applicant.

(9) (i) Where an objection has been received or Regional Director on examining the application has specific objection under the provisions of Act, the same shall be recorded in writing and the Regional Director shall hold a hearing or hearings within a period thirty days, as required and direct the company to file an affidavit to record the consensus reached at the hearing, upon executing which, the Regional Director shall pass an order either approving or rejecting the application along with reasons within thirty days from the date of hearing, failing which it shall be deemed that application has been approved and approval order shall be automatically issued to the applicant.

(ii) In case where no consensus is received for conversion within sixty days of filing the application while hearing or otherwise, the Regional Director shall reject the application within stipulated period of sixty days: Provided that the conversion shall not be allowed if any inquiry, inspection or investigation has been initiated against the company or any prosecution is pending against the company under the Act.

(10) On completion of such inquiry, inspection or investigation as a consequence of which no prosecution is envisaged or no prosecution is pending, conversion shall be allowed.

(11) The order conveyed by the Regional Director shall be filed by the company with the Registrar in Form No. INC28 within fifteen days from the date of receipt of approval along with fee as provided in the Companies (Registration Offices and Fees) Rules, 2014.”.

4. In the said rules, after ‘Form No. INC-20, in annexure, the following forms shall be inserted, namely:-

**FORM NO. INC.20A**

**Declaration for commencement of business**

[Pursuant to Section 10A(1)(a) of the Companies Act, 2013 and rule 23A of the Companies (Incorporation) Rules, 2014]

5. In the said rules, after form No. INC-25, the following form shall be inserted, namely:-

**“Form No. INC-25A**

**Advertisement to be published in the newspaper for conversion of public company into a private company**

Before the Regional Director, Ministry of Corporate Affairs  
\_\_\_\_\_ Region

In the matter of the Companies Act, 2013, section 14 of Companies Act, 2013 and rule 41 of the Companies (Incorporation) Rules, 2014

AND

In the matter of M/s \_\_\_\_\_ (company name) having its registered office at \_\_\_\_\_, Applicant Notice is hereby given to the general public that the company intending to make an application to the Central Government under section 14 of the Companies Act, 2013 read with aforesaid rules and is desirous of converting into a private limited company in terms of the special resolution passed at the Annual General Meeting/ Extra Ordinary General Meeting held on \_\_\_\_\_ to enable the company to give effect for such conversion.

Any person whose interest is likely to be affected by the proposed change/status of the company may deliver or cause to be delivered or send by registered post of his objections supported by an affidavit stating the nature of his interest and grounds of opposition to the concerned Regional Director (complete address of the Regional Director to be given), within fourteen days from the date of publication of this notice with a copy to the applicant company at its registered office at the address mentioned below:

For and on behalf of the Applicant

.....

Director with DIN

Complete address of registered office

Date.....

Place.....

6. In the said rules, after form No, INC-34, the following form shall be inserted, namely:-

**FORM NO. RD-1**

**Form for filing application to Regional Director .**

(Pursuant to the Companies Act, 2013 and rule 40 and 41 of the Companies (Incorporation) Rules, 2014

**FORM NO. RD GNL-5**

**Form for filing Addendum for rectification of defects or incompleteness**

[Pursuant to rule 40 and 41 of the Companies(Incorporation) Rules, 2014



# GST UPDATES:

## GST RECONCILIATION

Reconciliation under Goods & Services Tax (GST) is about matching the data filed by the supplier with those of the recipients and recording all the transactions that have taken place during that period. The reconciliation process ensures that no sales or purchases are omitted or wrongly reported in the GST returns.

The taxpayers must reconcile their data on a regular basis with that of the vendors to claim eligible Input Tax Credit (ITC). The process of reconciliation is simple, but can be time-consuming, as the taxpayers are required to continuously keep an eye on any discrepancy or mismatches that may affect the ITC claim.

This article will bring about clarity to an otherwise tedious process in less than 5 easy steps.

1. Under the reconciliation process of GST for the financial year (FY) 2017-18, the taxpayers are required to mandatorily file all the periodic GST returns. Even if the due date for a particular GST return is missed, it should be filed along with the interest or the late fees as applicable. As long as the GST returns are not filed, matching and reconciliation process will not take off. The taxpayers need to update their books of accounts and align the tax returns accordingly. Unless and until all the GST returns are filed, the taxpayers won't be able to claim adequate ITC.

2. Furthermore, the taxpayers should identify the mismatches and correct the relevant entries in the books of accounts. They should also amend these details in the coming GST return filing period. GST laws do not allow for revision of tax returns filed in the previous periods. However, it does allow for filing of the corrected entries via an amendment return in the next periodic return. These amendment entries should be filed in GSTR 1 & GSTR 3B, accordingly.

Make sure you carefully match the purchase register with GSTR 3B (uploaded month wise) and with GSTR 2A details (uploaded by the supplier). It is important to streamline the books of accounts, the GSTR-3B return, and GSTR-2A form to fully avail the ITC on the relevant purchases; otherwise, the taxpayer will lose ITC claim and will end up paying extra taxes.

4. The congruity between the books of accounts and the GST returns is crucial for claiming ITC. Additionally, taxpayers while claiming ITC on purchases should keep a check on taxes paid under the reverse charge mechanism. However, a taxpayer can only avail credit of taxes paid under reverse charge mechanism only if the goods and/or services are used or will be used for purpose of business.

Communication is the key, especially amongst the vendors and customers. This coordination results in uniform reporting of the details in the GST returns. Chances of mismatches, omission or incorrect entries are reduced when the suppliers' and the recipients' synchronize their details and then file GST returns. It is also very important to identify the non-compliant vendors, interact with them, and resolve the queries; this will help the recipients maximise ITC. Now, advanced reconciliation software can help reduce this communication gap between the suppliers and the recipients. These software enable the users to send a reconciliation mismatch report to the vendors or suppliers to resolve any issue arising out of it.

5. Any taxpayer who has not claimed ITC in the preceding months can avail the same in the subsequent months, but not later than the filing of annual return i.e GSTR -9 or filing of GST returns for September month of the subsequent financial year, whichever is earlier. Any amendments or changes to the previously filed returns can be done within the same timeline.

GST reconciliation is a recurring event, it must be performed periodically to claim maximum credit and to avoid mismatches on a larger scale. The taxpayers shall communicate the queries with his recipients or vendors at the earliest and file error-free returns.

# CENTRAL KYC REGISTRY

Applicability: All entities registered with CKYC

## Sub: Up-coming Relaxations in CKYC Template

This is with reference to the Father/Spouse Name, Mother Name and Maiden Name fields in the CKYC Individual template. Currently, Father/Spouse Name and Mother Name fields are mandatory. Maiden Name is mandatory where applicable. Pursuant to the changes proposed in the validations of these fields, the following relaxations shall be rolled out shortly. Any one of Father's Name, Spouse's Name or Mother's Name shall be mandatory, Maiden name shall become an optional field. The effective date of the above changes shall be announced shortly.

## Sub: Technology platform upgrade



As a part of the continuous upgrade process and keeping in line with the best security practices, Central KYC Registry application is undergoing a technology framework upgrade. There are no changes in the functionalities but some services like API and SFTP connectivity may be affected due to this upgrade. Institutions are requested to check these functionalities on the test environment ([www.testbed.ckycindia.in](http://www.testbed.ckycindia.in)) and contact the helpdesk if there is any unexpected behavior.

## Veritas Finance Private Limited

SKCL Central Square 1, South Wing, 1st Floor, Unit # C28 - C35,  
CIPET Road, Thiru Vi Ka Industrial Estate, Guindy, Chennai - 600 032.  
Ph : 044-46150011, 46150022, 46150033, web: [www.veritasfin.in](http://www.veritasfin.in)