

Company Law, Accountancy and Audit

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## Rules and Amendment Rules

### The Companies (Incorporation) 3<sup>rd</sup> Amendment Rules, 2023

[Notification dated 20<sup>th</sup> October 2023](#)

The MCA has amended the Companies (Incorporation) Rules, 2014 by amending Rule 30 *Shifting of Registered office from one State or Union Territory to another state.*

As per the amendment, the shifting of the registered office may be allowed where the management of the company has been taken over by new management under a resolution plan approved under the Insolvency Bankruptcy Code, 2016 subject to the following conditions:

- No appeal against the resolution plan is pending in any Court or Tribunal and;
- No inquiry, inspection, investigation is pending or initiated after the approval of the said resolution plan.

**This Rule have come into force with effect from 21<sup>st</sup> October 2023.**

### The Companies (Prospectus and Allotment of Securities) 2<sup>nd</sup> Amendment Rules, 2023

[Notification dated 27<sup>th</sup> October 2023](#)

The Companies (Prospectus and Allotment of Securities) Rules, 2014 has been amended through the notification of the aforesaid Rule. *Inter alia*, the amendments include the following:

#### ▪ **Rule 9 Dematerialisation of securities**

Every public company which has issued share warrants prior to commencement of the Companies Act, 2013 and not converted into shares should, -

- ▲ within a period of 3 months of the commencement of this Rule inform the Registrar about the details of such share warrants; and

- ▲ within a period of 6 months of the commencement of this Rule, ask the bearers of the share warrants to surrender such warrants to the company and get the shares dematerialised in their account.

- ▲ In case any bearer of share warrant does not surrender the share warrants within the prescribed time, the company should convert such share warrants into dematerialised form and transfer the same to the Investor Education and Protection Fund.

#### ▪ **Rule 9B Issue of securities in dematerialised form by private companies (*newly inserted*)**

- ▲ Every private company, except small companies, should within the prescribed period issue securities only in dematerialised form and facilitate dematerialisation of all its securities in accordance with the provisions of the Depositories Act, 1996.

- ▲ A private company, which is not a small company as on the last day of a financial year (**FY**), ending on or after 31<sup>st</sup> March 2023 as per audited financial statements (**FSs**), should comply with the provisions of this Rule within 18 months of the end of such FY (i.e., 30<sup>th</sup> September 2024).

- ▲ Every private company referred to above should ensure that the entire holding of securities of its promoters, directors, key managerial personnel (**KMP**) has been dematerialised in accordance with the provisions of the Depositories Act, 1996 before making any offer for issue of securities, buyback of securities or issue of bonus shares or rights offer.

- ▲ Existing holders of securities intending to transfer or subscribe to new securities must ensure their securities are in dematerialised form.

The provisions of this Rule will not apply to Government companies.

## The Companies (Management and Administration) 2<sup>nd</sup> Amendment Rules, 2023

### [Notification dated 27<sup>th</sup> October 2023](#)

The MCA has amended the Companies (Management and Administration) Rules, 2014 by inserting sub-rules 4 to 8 after sub-rule 3 in Rule 9 *Declaration in Respect of Beneficial Interest in Any Shares*. As per the amendment:

- Every company should designate a person who will be responsible for furnishing, and extending co-operation for providing, information to the Registrar or any other authorised officer with respect to beneficial interest in shares of the company.
- For this purpose, the company may designate-
  - ▲ a company secretary, if there is a requirement of appointment of such company secretary under the Companies Act, 2013; or
  - ▲ KMP, other than the company secretary; or
  - ▲ every director, if there is no company secretary or KMP.
- Until a Designated Person is appointed, the following persons will be deemed to have been Designated Person:
  - ▲ company secretary, if there is a requirement of appointment of such company secretary under the Act; or
  - ▲ every Managing Director or Manager, in case a company secretary has not been appointed; or
  - ▲ every director, if there is no company secretary or a Managing Director or Manager.
- Every company should inform the details of the Designated Person in Annual return and any change in the Designated Person at any time should be intimated to the RoC in e-form GNL-2

## Notifications

### Commencement of Section 5 of the Companies (Amendment) Act, 2020

#### [Notification dated 30<sup>th</sup> October 2023](#)

The Central Government has **appointed 30<sup>th</sup> October 2023** as the date on which the provisions of Section 5 of the Companies (Amendment) Act, 2020

come into effect. Section 5 corresponds to Section 23-*Public Offer and Private Placement* of the Companies Act, 2013.

As per the amendment, certain classes of public companies may issue certain classes of securities for being listed on stock exchanges in foreign jurisdictions. The MCA is yet to notify the class or classes of public companies and class of securities to be covered under these provisions.

## Securities and Exchange Board of India (SEBI)

### SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015

- **SEBI (Listing Obligations and Disclosure Requirements) (LODR) (5<sup>th</sup> Amendment) Regulations, 2023**

#### [Regulation dated 9<sup>th</sup> October 2023](#)

The aforesaid Regulation amends Regulation 30 *Disclosure of events or information* of the SEBI LODR Regulations, 2015. **This amendment came into effect from 1<sup>st</sup> October 2023.**

The proviso to Regulation 30(11) of the SEBI LODR Regulations, 2015 *inter alia* requires that top 100 and top 250 LEs by market capitalisation to mandatorily verify and confirm, deny or clarify market rumours. SEBI has decided to extend the effective date of implementation of this proviso. Revised timelines are as follows:

Type of LEs by market capitalisation	Earlier Timeline w.e.f.	Revised Timeline
Top 100 LEs	1 <sup>st</sup> February 2024	Timeline is not applicable
Top 250 LEs	1 <sup>st</sup> August 2024	As may be specified by SEBI

## ▪ SEBI (Listing Obligations and Disclosure Requirements) (LODR) (6<sup>th</sup> Amendment) Regulations, 2023

[Regulation dated 20<sup>th</sup> October 2023](#)

The aforesaid regulation amends Regulation 61A *Dealing with unclaimed non-convertible securities and benefits accrued thereon* of the SEBI LODR Regulations, 2015. As per this Regulation, the listed entity cannot forfeit unclaimed interest/dividend/redemption amount but transfer the same to an escrow account. If the amount in this escrow account remains unclaimed then it should be transferred to the Investor Protection and Education Fund (IEPF).

As per the amendment:

- ▲ The amount transferred to the IEPF should not bear any interest.
- ▲ The unclaimed amount of a person that has been transferred to the IEPF can be claimed in such manner as may be specified by SEBI.

## Ease of doing business and development of corporate bond markets – revision in the framework for fund raising by issuance of debt securities by large corporates (LCs)

[Circular No. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/172 dated 19<sup>th</sup> October 2023](#)

SEBI has revised the framework for fund raising by issuance of debt securities by LCs.

This framework is **applicable with effect from 1<sup>st</sup> April 2024 for LCs following April-March as their FY** and is **applicable with effect from 1<sup>st</sup> January 2024, for LCs which follow January-December as their FY**.

The framework will be applicable for all listed entities (except for Scheduled Commercial Banks), which as on last day of the FY (i.e., March 31<sup>st</sup> or December 31<sup>st</sup>):

- have their specified securities or debt securities or non-convertible redeemable preference shares listed on a recognised Stock Exchange in terms of SEBI (LODR) Regulations, 2015; and
- have outstanding long-term borrowings of Rs.1,000 crore or above; and

- have a credit rating of "AA"/ "AA+"/ AAA", where the credit rating relates to the unsupported bank borrowing or plain vanilla bonds of an entity, which have no structuring/ support built in.

## SEBI Board Meeting

[PR No. 27/2023 dated 25<sup>th</sup> November 2023](#)

In its Board Meeting, the SEBI *inter alia*, approved the following to provide impetus to fund raising by Not-for-Profit Organizations (NPOs) on the Social Stock Exchange (SSE):

- Reduction in minimum issue size in case of public issuance of Zero Coupon Zero Principal Instruments (ZCZP) by NPOs on SSE from Rs. 1 Crore to Rs. 50 lakhs.
- Reduction in minimum application size in case of public issuance of ZCZP by NPOs on SSE from Rs 2 lakhs to Rs. 10,000.
- Changing the nomenclature of "Social Auditor" with "Social Impact Assessor".
- Permitting NPO to disclose past social impact report in the fund-raising document.
- More NPOs to be made eligible for registration and fund raising through issuance and listing of ZCZP on SSE by permitting entities registered under section 10(23C) and 10(46) of the Income Tax Act, 1961.

## Framework on Social Stock Exchange

[Circular No.: SEBI/HO/CFD/PoD-1/P/CIR/2023/196 dated 28<sup>th</sup> December 2023](#)

SEBI has issued a detailed framework on SSE vide [Circular dated 19<sup>th</sup> September 2022](#). Vide the aforesaid Circular, changes have been incorporated in the SSE framework. *Inter alia*, these include the following:

- **Minimum requirement to be met by NPOs**  
These include Registration Certificate under Sections 12A/12AA/12AB/10(23C)/10(46) of the Income Tax Act, 1961 and a valid 80G registration under the Income Tax Act, 1961, for entities registered under Sections 12A/12AA/12AB of the Income-tax Act, 1961.
- **Details of past social impact as per the existing practice of NPOs.**  
The past social impact should highlight trends in key metrics/ parameters relevant to the NPO (as

may be determined by the Exchanges) for which it seeks to raise funds on SSE, number of beneficiaries, cost per beneficiary and administrative overheads.

#### ▪ **Procedure for public issuance of ZCZP Instruments by a NPO**

- ▲ The NPO should file the draft fund-raising document with the SSE along with the prescribed fees and an application seeking in-principle approval for listing of its ZCZP pm the SSE.
- ▲ The draft fund-raising document should be available on the website of the SSE and the NPO for a period of at least 21 days for public comments.
- ▲ The SSE should provide its observation on the draft fund-raising document within 30 days from the date of filing of the draft fund-raising document or receipt of clarification, whichever is later.
- ▲ The NPO should incorporate the observations of the SSE in draft fund-raising document and file the final fund- raising document to SSE prior to opening the issue.

#### ▪ **Other conditions relating to issuance of ZCZP Instrument**

- ▲ Should be issued in dematerialized form only.
- ▲ Should not be transferable from the original subscriber/ holder till the expiry of the tenure of the said instrument.
- ▲ The minimum issue size should be Rs. 50 lakhs and the minimum application size should be Rs. 10,000.

registered office. Existing LLPs are required to maintain such a register within 30 days from commencement of these Rules. Details like the name of the partner, PAN, date of becoming a partner, date of cessation of partner, amount and nature of contribution with monetary value and any other interest, if any should be included in the register.

#### ▪ **Rule 22B Declaration in respect of beneficial interest in any contribution**

Following persons should file a declaration with the LLP:

- ▲ Person whose name is entered in the register of partners of an LLP but does not hold any beneficial interest fully or partly in contribution (the registered partner)
- ▲ Person who holds or acquires a beneficial interest in contribution of an LLP, but his name is not registered in the register of partners (the beneficial partner)

The registered partner and the beneficial partner should file a declaration disclosing the details in Form 4B and Form 4C respectively within a period of 30 days from the date on which his name is entered in the register of partners or after acquiring such beneficial interest. Change, if any in the beneficial interest in such contribution should be declared within 30 days from the date of such change.

### **Limited Liability Partnership (Significant Beneficial Owners) Rules, 2023**

[Notification dated 9<sup>th</sup> November 2023](#)

The MCA has notified the above Rules which are applicable to all the LLPs. Salient features include the following:

#### ▪ **Definition**

- ▲ Majority stake means:
  - i. Holding more than  $\frac{1}{2}$  of the equity share capital in the body corporate; or
  - ii. Holding more than  $\frac{1}{2}$  of the contribution in a partnership entity; or
  - iii. Holding more than  $\frac{1}{2}$  of the voting rights in the body corporate; or

## Others

### **Limited Liability Partnership (3<sup>rd</sup> Amendment) Rules, 2023**

[Notification dated 27<sup>th</sup> October 2023](#)

The MCA has amended the Limited Liability Partnership (LLP) Rules, 2009 by inserting the following Rules:

#### ▪ **Rules 22 Register of Partners**

Every LLP should maintain a register of its partners in Form 4A which should be kept at its

- iv. Having the right to receive or participate in more than  $\frac{1}{2}$  of the distributable dividend or distributable profits or any other distribution by the body corporate including a partnership entity as the case may be.
- ▲ **Significant Beneficial Owner (SBO)**  
In relation to a reporting LLP means an individual who acting alone or together or through 1 or more persons or trust, possesses 1 or more of the following rights or entitlements in such reporting LLP, namely –
  - i. holds indirectly or together with any direct holdings not less than 10% of the contribution;
  - ii. holds indirectly or together with any direct holdings, not less than 10% of the voting rights in respect of the management or policy decisions in such LLP;
  - iii. has right to receive or participate in not less than 10% of the total distributable profits or any other distribution, in a FY through indirect holdings alone or together with any direct holdings;
  - iv. has right to exercise or actually exercises significant influence or control, in any manner other than through direct holdings alone.
- ▲ **Significant Influence**  
The power to participate, directly or indirectly, in the financial and operating policy decisions of the reporting LLP but is not control or joint control by those policies.
- **Duty of reporting LLP**
  - ▲ Every reporting LLP should take the necessary steps to find out if there any SBO in relation to that reporting LLP, and if so, identify him and cause such individual to make a declaration in Form No. LLP BEN-I.
  - ▲ Every reporting LLP should in cases where its non-individual partner holds not less than 10% of its contribution or voting rights or right to receive or participate in the distributable profits or any other distribution payable in a FY, give notice in Form No. LLP BEN-4 (seeking information pertaining to SBO).
- **Declaration of SBO**
  - ▲ Every individual who is a SBO in a reporting LLP should file a declaration in Form No. LLP BEN-I within 90 days from the date of commencement of these Rules.
  - ▲ Every individual who subsequently becomes a SBO or where his or her significant beneficial ownership undergoes any change will file a declaration in Form No. LLP BEN-I to the reporting LLP, within 30 days of acquiring such significant beneficial ownership or any change therein.
- **Exceptions**  
These Rules are not applicable to the extent the contribution of the reporting LLP is held by –
  - ▲ the Central Government (CG), State Government (SG) or any local authority;
  - ▲ - a reporting LLP; or
  - a body corporate; or
  - an entity,
    - controlled by the CG or by 1 or more SG, or partly by the CG partly by 1 or more SG;
  - ▲ investment vehicles registered with and regulated by the SEBI, such as mutual funds, alternative investment funds (AIF), Real Estate Investment Trusts (REITs) and Infrastructure Investment Trust (InvITs);
  - ▲ investment vehicles regulated by the Reserve Bank of India (RBI) or the Insurance Regulatory and Development Authority (IRDAI) or the Pension Fund Regulatory and Development Authority (PFRDA).

## Accountancy and Audit

### Technical Guides (TG)

- **TG on Reports of Audit under section 12A/10(23C) of the Income-tax Act,1961**  
[ICAI Announcement dated 9<sup>th</sup> October 2023](#)  
This TG provides assistance to understand the intricacies w.r.t various amendments in Charitable Trusts and Institutions & its related re-notified Audit Form. It will delve into the tax aspects relating to Charitable Trusts and Institutions,

exploring the fundamental concepts that underpin their creation and operation. It provides a deep and insightful understanding of the taxation aspects of Charitable Trusts and Institutions

CNK Partner, Gautam Nayak is one of the co-authors.

- **TG on Internal Audit of Pharmaceutical Industry (2023 edition)**

[ICAI Announcement dated 11<sup>th</sup> October 2023](#)

This Technical Guide (**TG**) aims to provide comprehensive information and guidance to internal auditors in carrying out internal audit of companies operating in pharmaceutical industry. It aims to equip internal auditors with the knowledge necessary to effectively assess and evaluate the risk management and internal control systems, management processes and compliance frameworks specific to the pharmaceutical sector. The TG focuses on critical areas of concern and provides practical insights to enhance the efficiency, effectiveness and transparency of internal audit activities within pharmaceutical organisations.

## **Manual on Concurrent Audit of Banks (2023 edition)**

[ICAI Announcement dated 11<sup>th</sup> October 2023](#)

The Manual on Concurrent Audit of Banks is being issued by the Board of Internal Audit and Management Accounting (BIAMA) of the ICAI with the objective to provide detailed guidance to the members on concurrent audit of banks. This Manual provides guidance to members regarding critical issues related to concurrent audit of banks, including redirecting the scope of concurrent audit to include risk-based audit approach to make it more meaningful and effective.

## **QRB Report on Audit Quality Review (2022-23)**

[ICAI Announcement dated 21<sup>st</sup> November 2023](#)

The Quality Review Board (**QRB**) of the ICAI has issued a report on the audit quality review conducted of entities up to 31<sup>st</sup> March 2023. It indicates the approach of the QRB for review, expectations, selection of audit firms for review and how to conduct audit quality review. This report also highlights overall

trends, key findings, analysis of reviewed audit files in terms of technical standards, analysis of observations in audit files under major industries, findings in major focus areas for reviews, summary of observations in other areas, matters of general guidance for Audit Firms etc.

## **Ind AS**

For development in Ind AS refer [CNK IFRS/ISSB and Ind AS Update, January 2024](#).



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