



SIRC MYSURU CHAPTER

e-Magazine



November 2022
223rd Edition

Vision

"To be a global leader in promoting good corporate governance"

Motto

सत्यं वद। धर्मं चर। इष्टार्कं कुरु। अर्थात्: बोरोडे ह्यु कुरु।

Mission

"To develop high calibre professionals facilitating good corporate governance"

Connect with ICSI



<https://www.facebook.com/ICSI>



https://twitter.com/ICSI_CS



<https://www.linkedin.com/in/the-institute-of-company-secretaries-of-india-icsi-a5899a102/>



Inside this Issue

COLUMNS

03 From Chairman's Desk

05 Chapter Activities

21 Food for Thought

23 Regulatory Updates

ARTICLES

06 Alternate Dispute Resolution Methods
in Emerging Scenario – Role of Professionals

10 Consumer Protection, Privacy and Data Protection Form
the Cornerstone of the Recent RBI Guidelines on Digital
Lending.

14 ESOP (Employee Stock Option Plan)



CS A HARSHA
CHAIRPERSON
MYSURU CHAPTER

Dear Professional Colleagues

A very happy Kannada Rajyotsava to one and all. In real terms it is a Utsava for all of us because Karnataka is going to get ultra-developed in the coming years. I'm grateful to my friends who have taught me Kannada since I've come from Tamilnadu. Kannada is Such a wonderful language indeed. I feel so good when I speak Kannada.

Hope you all had a Wonderful Diwali. May all your dreams come true and may you get the power of winning good over evil.

Feeling proud to be an Indian. As being praised by the international leaders all around the world. Many changes going on throughout as with the Introduction of digital currency in India, Fresh New trade policies with many countries Etc. I remember this song "Mere desh Ki dharti Sona ugale, ugale heere moti, mere desh Ki dharti "with the way India is prospering day by day. Lots of opportunities heading up in the coming days.

We had conducted a monthly Students Programme on 20th October where CS Kamal Kumar had addressed the students on the topic "Approach on Direct Tax." I got the privilege of taking a session for the students on "Time management." It was an interactive session and students came out with encouraging feedback.

There is always light. If only we re brave enough to see it. If only we re brave enough to be it.



THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

Editorial Team

CS Vijaya Rao

CS Phani Datta D N

CS Parvati K.R

CS Ajay Madhaiah

CS Madhur N Agrawal

CS Harsha A (Chapter Chair)

Support team

Mr. Komal Kumar M

Ms. Mathruka B.M.

Ms. Aparna U

Join 6500+ members' strong
"CSMysore" eParivaar

<http://www.groups.google.com/group/csmysore>

Now it's easy to receive the e-Magazine
directly into your personal mail id.

Click <http://goo.gl/PV90lr> and fill-in simple info.

You may send this link to your friends too!

Please write your comments and feedback to us:
newsletter.icsimysore@gmail.com

Disclaimer

Views and other contents expressed or provided by the contributors are their own and the Chapter does not accept any responsibility. The Chapter is not in any way responsible for the result of any action taken on the basis of the contents published in this newsletter. All rights are reserved

Chapter Activities

Career Awareness Program



Chapter organized two Career Awareness Programs during the month. The detail are as follows.

Sl No	Date	College Name	Resource Person	No. of Students
1	21.10.2022	Marimallappa Women's College	CS Harsha A N. Dhanabal	50
2	28.10.2022	Deepa PU College	N. Dhanabal	50

Half Day Programme for Students

On 20th October 2022 Chapter organized a half day program for the students at the chapter premises. The first session was handled by CS Kamal S on the topic "Approach on Direct Tax". The second session was on the topic "Time Management" handled by CS Harsha A., Chairperson. Prof Margaret from Maharani's collage graced the occasion. Around 35 students from Mysuru Chapter & Maharani Commerce & Management College for Women were participated in the event.



Alternate Dispute Resolution Methods in Emerging Scenario – Role of Professionals

PART-1

“I realize that the true function of a lawyer was to unite parties.... A large part of my time during the 20 years of my practice as a lawyer was occupied in bringing about private compromises of hundreds of cases. I lost nothing thereby – not even money, certainly not my soul.” – Mahatma Gandhi

Introduction

The Alternative Dispute Resolution (ADR) mechanism (including arbitration, conciliation, and mediation) is an institution and a holistic concept for resolving almost all civil disputes relating to contractual, mercantile, commercial, banking, labour, property and family matters. In addition, minor criminal disputes of compoundable nature can also be resolved by the mediation centres functioning in the courts. The ADR process aims at arriving at a workable solution to the disputes by following the rules of natural justice to protect the rights of the parties to the dispute. There is more of common sense and goodwill and less of law and lawyers and merit and demerit. The emphasis is to reach a win-win settlement rather than win-lose situation for the parties. Other advantages of ADR mechanism include speed, economy, simplicity of procedure and convenience. Parties are assured that secrecy of the information provided by them will be maintained and efforts will be made to maintain healthy relationship. As such, all over the world, legislature, judiciary, and executive have been promoting ADR mechanism for the benefits of litigants and reduce the burden of pending cases on judiciary.

Background

Section 89 of the Code of Civil Procedure (Code), 1908, empowers the courts to refer certain disputes, where there exist elements of settlement by the parties, for settlement either by way of arbitration, conciliation, and judicial settlement, including settlement through Lok Adalat or mediation. The pre-condition of reference is that the Court shall formulate the terms of settlement and give them to the parties for their observation, and, after receiving their observations, again formulate the terms of settlement and refer the same for settlement to any of the aforesaid forums.

The procedure of resolution of dispute under section 89 of the Code is laid down under Order 10, Rule 1A, 1B, and 1C. Simply stated, the Court shall, after recording the

“

-The first step

towards resolution of dispute is understanding the difference between conflict and disputes. Simply stated, “Conflict” is long-term deep-rooted issues that are considered “non-negotiable”, whereas dispute is a short-term disagreement that is ‘negotiable’ and can be resolved...”

NARESH KUMAR
MBL; LL.B; M.A. Eco; MSW; FCS; FICA
Advocate & Consultant-Business Laws
Email Id: nareshadvocate20@yahoo.com



admission and denial of parties to the suit, direct the parties to opt for either of the above modes of settlement outside the court and fix the date of appearance before the forum opted by them (Order 10 Rule 1A). The parties thereafter appear before the forum opted by them (Order 10 Rule 1B). The presiding officer of the forum shall try to settle the issue, failing which refer the matter back to the court and direct the parties to appear before the court on the given date (Order 10 Rule 1B).

Conflict, Grievances and Disputes



The first step towards resolution of dispute is understanding the difference between conflict and disputes. Simply stated, “Conflict” is long-term deep-rooted issues that are considered “non-negotiable”, whereas dispute is a short-term disagreement that is ‘negotiable’ and can be resolved. Experience suggests that in most of the cases the element of conflict is about 80 percent, which is invisible like roots of a tree; whereas disputes are only 20 per cent, which are visible like branches of a tree. Conflict lies in the mind of man, and, if resolved, then it becomes easy to redress the grievances and disputes. The “Resolution” requires identifying the factors underlying the conflict,

and finding ways to deal with them. “Settlement” on the other hand, aims at ending dispute as quickly and amicably as possible. The focus should, therefore, be on establishing rapport with the parties for understanding the conflict and its cause as reflected in the form of disputes and differences.

ADR Methods

Arbitration

The legal and regulatory framework of “arbitration” is governed by the Arbitration and Conciliation Act (Act), 1996 as amended from time to time to meet the requirements of changing times. Arbitration is a statutory method for speedy and economical resolution of national and international contractual and commercial dispute. The basis of arbitration is an agreement between the parties to submit their present or future disputes of civil nature to named arbitrator(s) or institutional arbitrator. Further, all disputes, which are of civil nature, can be referred to arbitration. The obvious advantages of arbitration are party autonomy, procedural flexibility, speed, economy, simplicity, confidentiality, neutrality and impartiality of empire. The business community has itself created the institution of arbitration and, therefore, the basic principles of arbitration are almost universally acceptable.

Section 5 of the Act restricts judicial interventions except under section 9 for interim measures; section 11(5) for appointment of arbitrator; section 27 for taking evidence; and section 34 of the Act for setting aside arbitral award and section 36 of the Act for enforcement of arbitral award.

The parties, in addition to the normal procedure of arbitration, may under section 29B opt for fast-track arbitration) and request arbitral tribunal to decide their dispute within a fixed time schedule of six months. The arbitral tribunal can be in fast tract arbitration, if the parties to dispute so desire, decide the dispute on written pleadings, documents and written submissions filed before him without or with minimum hearings.

It is noteworthy that Section 30 of the Act also provides for “settlement” of dispute with the agreement of the parties by an arbitral tribunal by using `mediation, conciliation, or any other procedures at any time during the arbitral proceedings to encourage settlement. If the dispute is settled, the arbitral tribunal may record the terms of settlement in the form of an arbitral award, which shall have the same status and effect as any other arbitral award on the substance of the dispute.

The final outcome of arbitration proceedings is “award” – interim and final. The final award is a reasoned award settling all issues and signed by the arbitrator(s) and delivered to each party. Section 31 of the Act provides the form and contents of arbitral award. Simply stated an arbitral award is as good as a decree of a court for enforcement.

Mediation

The philosophy of mediation is that conflict belongs to the parties, and, therefore, the solution must emerge from the parties in a democratic and collaborative manner within the four corners of law. The underlying object is to bring the parties on a negotiation table and start talking to sort out the issues in friendly atmosphere to build mutual confidence and trust. Mediation is a voluntary, binding process in which an impartial and neutral mediator assists the parties in reaching an agreement over their disputes. A mediator does not impose a solution but creates conducive environment in which parties can resolve their entire disputes.

In mediation, there is an impartial and neutral mediator, acceptable to both the parties. His role is to bring together the disputants for negotiations to arrive at a mutually agreeable solution within the four corners of applicable laws. The parties in dispute ventilate their grievances and feelings and thereafter with the help of the mediator work out the solutions to meet their requirements.



The pre-requisite of conciliation is the confidence reposed by the parties in their mediator as the right person whom they can disclose their issues in confidence. The mediator makes parties to feel at ease and encourages them to communicate freely and share information and facts with each other with a view to reach an amicable settlement. He is a patient listener but has no authority to take decisions and does not impose his views on what should be a fair settlement.

The mediator facilitates `talking` work. He allows the volcano of accumulated feelings of parties to burst. Once the parties find emission of their feeling, they cool down and start negotiations in a constructive manner. The mediator then acts as a facilitator and encourages parties to focus on their future, generate options and come out with probable solutions to their disputes and help them selecting the best one which meets their requirements. The thrust is on harmony by creating win-win situation for the disputing parties.

The mediator, after the parties have consented to the mutually agreed solutions of all their problems, drafts a “Mutual Settlement Deed” for their signature. Once the parties sign and executive the “Mutual Settlement Deed”, which is a consensus agreement, cannot be challenged in any court of law. However, if there is no agreement between the parties, there is no mediation, and the matter is returned to the court for necessary action.

Conciliation

Conciliation is an ideal method of dispute resolution. In case conciliation, parties to the disputes reach an agreement to appoint a conciliator and submit to him all their disputes.

The appointed conciliator assists the parties in an independent and impartial manner to reach an amicable settlement of their dispute by patiently listening to their grievances, suggesting alternative solutions, and ironing out the differences. The conciliator is guided by principles of objectivity, fairness, and justice. He carefully considers, among other things, the rights and obligations of the parties, the usage and practice of trade and the circumstances surrounding the parties, including prevailing business practices.

The parties co-operate with the conciliator in good faith and provide the required information and documents for settlement of disputes. The conciliator suggests solutions and persuades the parties to consider make amendments to make the solutions acceptable to them.

The conciliator, after settlement of disputes between the parties, draws the 'Settlement Agreement' under section 73 of the Act. The settlement so drawn is enforceable section 30 of the Act as if it is an arbitral award under section 30 of the Act.

The conciliation proceedings are terminated on signing the settlement agreement, and if conciliation fail, a written declaration of termination of the conciliation proceedings by the parties.

Section 77 of the Act provides that the parties to the dispute shall not initiate arbitration or judicial proceedings during the conciliation proceedings

Conciliation, being a consensus agreement, cannot be challenged and leads to personal empowerment of parties in mutual settlement.

Obviously, if no agreement is reached between the parties, there is not conciliation, and the matter is returned to the court for necessary action.

Skills for ADR Methods

- A. Establishing rapport and building relationship of mutual respect and trust with the parties.
- B. Understanding the positions, needs, apprehensions, concerns, goals and fears of the parties and their underlying positions for leveraging their stands and disputes resolution.
- C. Assuring parties confidential of the information provided by them during and after resolution of disputes.
- D. Encouraging parties to talk for consensus building and dispute resolution.
- E. Skillful questioning to search for the heart of conflict and initiate open, honest purposeful conversation that allow disputants to work through their conflict leading to natural resolution, transformation, and transcendence of their positions; and
- F. Helping parties in exploring alternative and selecting the best solutions to their problems.

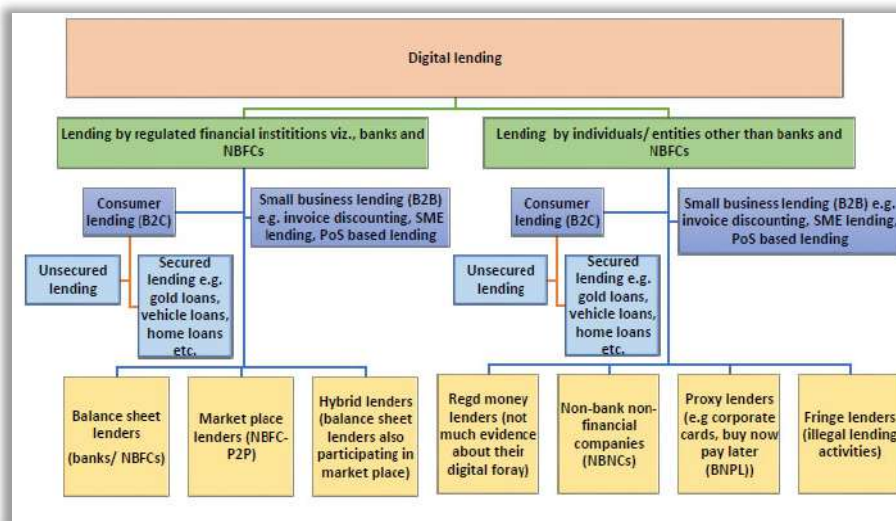
.....*To be Continued*

Consumer Protection, Privacy and Data Protection Form the Cornerstone of the Recent RBI Guidelines on Digital Lending.

Introduction

The recent loan app frauds in the states of Telangana, Tamil Nadu, Delhi and other states brought to the fore the need for greater regulation of digital lending applications/platforms. Various complaints were lodged with cyber-crime police stations alleging undue harassment by recovery agents employed by companies, predominantly fintech companies. According to newspaper reports, these agents employed predatory recovery methods including criminal intimidation and blackmail to recover money from borrowers. RBI has, in a step to curtail the practice of illegal loan apps, prepared a whitelist of all legal digital lending apps which alone will be hosted and made available on App stores for downloading.

Outsourcing of financial services has exposed banks to various risks. Time and again, the RBI has been addressing these issues by bringing these outsourcing activities within regulatory purview and to protect the interests of the customers.¹The challenges facing the digital lending landscape in India are due to engagement of third-party lending service



Source: rbi.org.in

“

Digital Lending is a

remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service.”



CS Swathi.K
BA LLB ACS LLM PGDCLCF
Practising Company Secretary
Email ID: pcs.swathi@gmail.com

¹ Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks, 2006

providers who resort to mis-selling to unsuspecting customers, breach of data privacy by Digital Lending Apps, unethical business conduct and illegitimate operations² employed by third party lending service providers.

The RBI Working Group in its Report has specifically recognized the need to protect customers from widespread unethical practices in order to ensure orderly growth of the fintech market. In this background, on September 02, 2022, RBI released the Guidelines on Digital Lending wherein it accepted the “Recommendations of the Working Group on Digital Lending-Implementation” dated August 10, 2022. Accordingly, it was re-iterated that Regulated Entities like Commercial Banks, Primary (Urban) Co-operative Banks, State and District Co-operative Banks and NBFCs shall conform to the RBI guidelines on outsourcing and that outsourcing arrangements shall not diminish their obligations towards either the Regulators or the customers. The guidelines endeavor to address the challenges faced by customers due to digital lending apps like breach of data privacy, unethical business practices employed by recovery agents and other unfair trade practices.

A Bird’s Eye view of the Regulatory Framework for Digital Lending Apps under the New RBI Guidelines³

Important Definitions

A Digital Lending App or Platform (DLA) is defined as mobile or web-based applications with user interface that facilitate digital lending services. DLAs will include apps of the Regulated Entities (RE) as well as those operated by Lending Service Provider (LSPs) engaged by REs for extending any credit facilitation services in conformity with extant outsourcing guidelines issued by the RBI.

Digital Lending is a remote and automated lending process, largely by use of seamless digital technologies for customer acquisition, credit assessment, loan approval, disbursement, recovery, and associated customer service.

Lending Service Provider (LSP) is an Agent of a Regulated Entity who carries out one or more of lender’s functions or part thereof in customer acquisition, underwriting support, pricing support, servicing, monitoring, recovery of specific loan or loan portfolio on behalf of REs in conformity with extant outsourcing guidelines issued by the RBI.

Regulated Entities (RE) means commercial banks, Primary (Urban) Co-operative Banks, State Co-operative Banks, District Central Co-operative Banks and Non-Banking Finance Companies including Housing Finance Companies.

Consumer Protection Measures in the Guidelines

1. Loan disbursement, servicing, and repayment to be made directly in the REs bank account held by the borrower. In no case, disbursement shall be made to a third-party account including the accounts of LSPs and their DLAs.
2. No fees or charges to be payable to the LSPs by the REs shall be charged on the borrower’s account
3. Rate of penal charges to be levied only on the outstanding amount of loan and to be disclosed on an annual basis to the borrower in the Key Fact Statement (KFS)
4. The REs shall provide a KFS to the borrower before the execution of the contract in a standardized format for all digital lending products. The KFS shall contain details of the Annual Percentage Rate (APR), the recovery mechanism, details of grievance redressal officer designated specially to deal with digital lending/Fintech related matter and cooling-off/ look-up period.

² Report of the Working Group on Digital Lending including Lending through Online Platforms and Mobile Apps, 2021

³ “GUIDELINES ON DIGITAL LENDING” ISSUED BY RBI DATED 02ND SEPTEMBER, 2022 VIDE CIRCULAR NO RBI/2022-23/111

5. No fees or charges not mentioned in the KFS can be charged by the REs to the borrower at any stage during the term of the loan.
6. It is the duty of REs that all digitally signed documents viz., KFS, summary of loan product, sanction letter, terms and conditions, account statements, privacy policies of the LSPs, DLAs with respect to borrower's data etc shall automatically flow to the borrowers on their registered and verified email/SMS upon execution of the loan contract/transactions.
7. The DLAs shall at the stage of sign up shall prominently display information relating to product features, loan limit and cost etc., so as to make the borrowers aware of the product details.
8. The consumer is also entitled to know the details of the recovery agent who is authorised by the RE to approach the borrower for recovery.
9. To ensure that the consumer is completely informed about the loan product, the guidelines require all DLAs to provide links to the REs where all details are available at a prominent single place on the website and easily accessible to the borrower.
10. The guidelines also recognize the right of the consumer/borrower to raise lending related complaints/ issues and for this purpose the REs and LSPs shall appoint a nodal grievance officer to deal with such complaints. If the complaint is not redressed within 30 days by the RE, the borrower may lodge a complaint over the Complaint Management System (CMS) portal under the Reserve Bank-Integrated Ombudsman Scheme (RB-IOS)
11. The REs are required to first assess the credit worthiness of the borrower before extending them any loan and before increasing the borrower's credit limit automatically the borrower's explicit consent must be taken.
12. In order to provide an easy exit option to the borrower and protect him from any sort of unnecessary harassment by recovery agents, the guidelines provide that every borrower must be given an explicit option to exit digital loan during the cooling off period which shall not be less than 3 days for loans having a tenor of 7 days or more and one day for loans having tenor for less than 7 days. If borrowers continue with the loan after the look-up period, they shall be given an option for pre-payment as per RBI guidelines.

Data Protection Measures

1. The REs shall not collect any data that is unnecessary and without the explicit consent of the borrower. The REs shall not access mobile phone resources of the borrower like file and media, contact list, call logs, telephony functions, etc.
2. Only one-time access can be given for camera, microphone, location or any other facility necessary for the purpose of onboarding or KYC requirements only with explicit consent of the borrower.
3. The borrower has the right to give or deny consent for use of specific data, restrict disclosure to third parties, data retention, revoke consent already given, make the app delete/forget the data.
4. The borrower has the right to know the purpose of obtaining the borrower's consent at each stage of interface with the borrower.
5. Consent of the borrower must be taken before sharing personal information of the borrower with any third party except where such sharing is required as per statutory or regulatory requirement.
6. As per the principle of storage limitation, the DLAs shall store only minimal basic data as is required for carrying out their operations. The RE is made responsible for the data privacy and security of the customer's personal information.

7. The websites and apps of REs and LSAs shall disclosed clearly the policy guidelines for storage of customer data including the type of data that can be stored, length of time for which data can be stored, restrictions on use of data, data destruction protocol, standards for handling security breach etc.,
8. Biometric data of the borrower shall not be stored or collected in the systems associated with the DLA of RE/ LSPs unless allowed under extant statutory guidelines.
9. In accordance with the principle of localization of data, the REs shall ensure that all data is stored only in servers located within India.
10. The privacy policy of DLAs and LSPs regarding the access and collection of personal information shall be in public domain while also ensuring that the details of third parties who are allowed to collect personal information through the DLA is also disclosed in the privacy policy.
11. Cybersecurity standards/requirements stipulated by RBI and other agencies may be specified from time to time for undertaking digital lending.

Regulatory Framework

1. REs shall ensure that any lending done through their DLAs and/or DLAs of LSPs is reported to CICs (Credit Information Companies) as per the provisions of Credit Information Companies (CIC) Regulation Act, 2005; CIC Regulations 2006 and related RBI guidelines.
2. RBI (Securitization of standard Assets) Directions, 2021 and the industry practice of offering financial products involving contractual agreements like First Loss Default Guarantee (FLDG) in which third party guarantees to compensate up to a certain percentage of default in a loan portfolio of the RE have been made applicable to DLA lending.

Conclusion

The Guidelines on Digital Lending are a step in the right direction as they address the issues of data protection in line with international practices like GDPR, protection of consumer rights like Right to be Informed, Right to choose (in this case, the right to choose to exit at the appropriate time during the cooling-off period), Right to be heard, Right to seek redressal (by establishing grievance redressal mechanisms), Right to safety (cybersecurity protocols, data storage etc.) and Right to Consumer Awareness.



ESOP (Employee Stock Option Plan)

Objective: to reward the Employee(s) for their performance and to motivate them to contribute to the growth and profitability of the Company. The Company also intends to use ESOP to retain talented Employees within the Company and its Subsidiary Company(ies). The Company views equity-based compensation plans as an integral part of employee compensation across sectors which enables alignment of personal goals of the employees with organizational objectives by participating in the ownership of the Company through share-based compensation plans. ESOPs help in creating a vibrant ownership culture across the entire organization. Ownership culture is one in which employees are encouraged to think and act like ‘owners. It is expected that ESOPs will result in improvement of individual and group performance as a result of alignment of goals of the employee and the organization.

ESOPs offered by a company to its employees entitle them to buy shares of the company at a future date and in a pre-determined manner. They provide an opportunity to the employees to acquire a stake in the company and are intended to create an ownership attitude and align their interests with those of the company. ESOPs confer a right and not an obligation on the employees to buy shares of the company at a future date at a predetermined price.

Applicable Law: Every law relating to equity-based compensation plan, including, without limitation to, the Companies Act, 2013 and includes any statutory modifications or re-enactments thereof, Securities Exchange Board of India Act, 1992, the Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended and all relevant tax, securities, exchange control or corporate laws of India or any relevant jurisdiction or of any Stock Exchange on which the shares are listed or quoted.

Administration: Nomination and Remuneration Committee of the Board of Directors formed within the meaning of the Companies Act consisting of a majority of independent directors constituted by the Board of Directors from time to time inter alia to administer ESOP or any other equity-based compensation plans.

Important Definitions with explanations

“Employee” means (i) a permanent employee of the Company working in India or outside India; or (ii) A Managing Director or Whole Time Director of the Company; or (iii) an employee, as defined in sub-clauses (i) or (ii) in this Para, of a Subsidiary Company, in India or outside or of a Holding Company of the Company, but excludes-

“

-In the last few years, due to financial irregularities or other reasons, a number of NGO registrations have either been cancelled or not renewed”

Dharma Chiranjeevi Raju
FCS and LLB
Senior Manager – Coromandel International Limited
Email ID: raju.chiranjeevi@gmail.com



- a. an employee who is a Promoter or belongs to the Promoter Group;
- b. a director who either by himself or through his relatives or through any-body corporate, directly or indirectly holds more than 10% of the outstanding Shares of the Company; and
- c. an independent director within the meaning of the Companies Act, 2013 and Regulation 16(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as prescribed by Securities Exchange Board of India (SEBI), as applicable.

“Employee Stock Option” or “Options” means the option granted to an Employee, which gives such Employee the right, but not an obligation, to purchase or subscribe at a future date the shares underlying the Option at a pre-determined price. One of the ways a company can reward its employees is by granting them stock options. A stock option is just that - an option, or a choice - to buy shares. Your options give you the opportunity to buy your company’s shares in the future at a price determined at the time of grant. If the stock price goes up, your options would be valuable. If the stock price goes down, then you simply don't use your option - there's no risk to you.

Option Valuable: An option is valuable as it gives you a right (with no obligation) to purchase the shares at a pre-set price. As a result of which, if the market price of the shares increases in value, you will be able to purchase the shares at the pre-determined option price provided the options have vested. However, if the market price of shares decreases after the option is granted and vested, you may choose not to exercise the options, and thus you are insulated from the risk of downward movement of the company’s share price.

“Grant” means the process by which the Company issues Options to the Employees under the ESOP. The Nomination and Remuneration Committee (“Committee”) decides and approves the criteria for eligibility of ESOPs and the number of options eligible for individuals. This is known as grant of options.

“Grant Date” means the date of the meeting of the Nomination and Remuneration Committee in which grant of Options to the employees are approved.

“Letter of Grant” means the letter issued by the Company intimating an Option Grantee about the Options granted to him for acquiring a specified number of shares at the Exercise Price.

“Market Price” means the latest available closing price on the Stock Exchange on which the shares of the Company are listed on the date immediately prior to the Relevant Date.

Explanation- If such shares are listed on more than one stock exchange, then the closing price on the stock exchange having higher trading volume shall be considered as the market price.

“Unvested Options” means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to Exercise the Options.

“Vest” or “Vesting” means earning by the Option Grantee, of the right to Exercise the Options granted to him in pursuance of ESOP.

Vesting has two components - vesting percentage and vesting period. Vesting percentage refers to that portion of total options granted, which you will be eligible to exercise. Vesting period is the period on the completion of which the said portion can be said to be vested and become exercisable.

The following table presents an example of an employee who is granted 1000 options with following vesting schedule of 20%, 20%, 30% and 30% respectively over four vesting years.

Vesting Details	Date of grant: January 01, 2022			
	1st Vesting	2nd Vesting	3rd Vesting	4th Vesting
Percentage	20%	20%	30%	30%
Date	January 01, 2023	January 01, 2024	January 01, 2025	January 01, 2026
Options vested	200	200	300	300

“**Vesting Condition**” means the conditions subject to which the Options granted would vest in an Option Grantee.

“**Vesting Period**” means the period during which the vesting of the Options granted to the Option Grantees in pursuance of ESOP.

“**Vested Options**” means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to Exercise the rights.

“**Exercise**” of an Option means expression of an intention by an Employee to the Company to purchase the Shares underlying the Options vested in him, in pursuance of this ESOP, in accordance with the procedure laid down by the Company for Exercise of Options.

“**Exercise Period**” means such time period after Vesting within which the Employee should Exercise the Options vested in him in pursuance of this ESOP. This is the period within which you can decide whether to exercise your options or not. This period starts typically from the date of vesting till the expiry of 5 years from then.

“**Exercise Price**” means the price payable by the Employee in order to Exercise the Options granted to him. Exercise price is the price that you have to pay to convert the options into shares e.g. if the options are granted at an exercise price of Rs. 100 and you want to exercise 300 options then you have to pay Rs. 30,000 (Rs. 100 x 300). The exercise price shall be equal to market price of the shares on the date of grant.

Authority: The Shareholders approve and authorize the Board and Nomination and Remuneration Committee to issue Options to the Employees at such Exercise Price, in one or more tranches and on such terms and conditions, as may be determined by the Board in accordance with the provisions of ESOP Plan, SEBI SBEB Regulations and in due compliance with other Applicable Laws and regulations.

If an Employee Stock Options expires or becomes un-exercisable due to any other reason, it shall become available for future Grants, subject to compliance with all Applicable Laws. The Nomination and Remuneration Committee will have powers to re-grant such Options.

The Options can be exercised as per the provisions outlined in the table below:

		Vested*	Unvested*
1	While in employment	Can be Exercised within Five years from the date of Vesting of Options.	The Options would continue to vest as per the original vesting schedule.
2	Resignation / Termination (other than due to misconduct or breach of company policies/terms of employment)	All the Vested Options as on the date of submission of resignation shall be exercisable by the Option Grantee within his/her last working day with the Company.	All Unvested Options as on the date of submission of resignation shall stand cancelled with effect from that date.
3	Termination due to misconduct or due to material breach of policies or the terms of employment	All the Vested Options which were not Exercised at the time of such termination shall stand cancelled with effect from the date of such termination.	All Unvested Options on the date of such termination shall stand cancelled with effect from the termination date.
4	Retirement / Early Retirement approved by the Company	All Vested Options can be Exercised by the Option Grantee immediately after such retirement, but in no event later than six months from the date of such retirement.	All Unvested Options will stand cancelled as on the date of such retirement, unless otherwise determined by the Nomination and Remuneration Committee whose determination will be final and binding.
5	Death	All Vested Options may be Exercised by the Option Grantee's legal heir immediately after death of the employee, but in no event later than six months from the date of Death.	All the Unvested Options as on the date of death shall vest immediately and may be Exercised by the Option Grantee's legal heir immediately after the death of the employee, but in no event later than six months from the date of Death.
6	Termination due to Permanent Incapacity	All Vested Options may be Exercised by the Option Grantee or, in case of his death, or inability to Exercise due to such Permanent Incapacity, by the legal heir, immediately thereafter, but in no event later than six months from the date of such incapacity.	All the Unvested Options as on the date of such Permanent Incapacity shall vest immediately and can be Exercised by the Option Grantee or, in case of his death, or inability to Exercise due to such incapacity, the legal heir immediately thereafter, but in no event later than six months from the date

			of termination of employment of the Option Grantee.
7	Other Reasons Apart from those mentioned above	The Nomination and Remuneration Committee will decide whether the Vested Options as on that date can be Exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of separation shall stand cancelled with effect from that date.

*Subject to the maximum Exercise period approved by the Shareholders of the Company from the date of vesting of Options.

Lapse of Options: The Options not Exercised within the Exercise Period prescribed above shall lapse and the Option Grantee shall have no right over such lapsed or cancelled Options. Options lose their validity in certain circumstances i.e. expiry of the exercise period, separation, abandonment etc. These options then cannot be converted into shares and lose their value. Such options are said to have lapsed. For instance, unvested options as on date of resignation shall lapse.

Taxation: The liability of paying taxes if any, in the Employee Stock Options granted pursuant to ESOP and the Shares issued pursuant to Exercise of Options shall be entirely on the Option Grantee and shall be in accordance with the provisions of Income Tax Act, 1961 and the rules framed thereunder.

S.No.	Checklist on allotment of shares on ESOP
Before Allotment of Shares	
1	Time Period: On receipt of ESOP Exercise Form from any of the employees, an e-mail has to be sent to all other eligible employee giving them a particular time period to exercise their ESOP.
2	Verification: To check that all the ESOP Exercise Form received from the employees are duly filled in with correct DP Details and signed by the concerned employee.
3	Deposit in Bank Account: Ensure that the Exercise amount from Employees is deposited to the designated Bank Account.
4	Bank Statement: To get Bank Statement on the due date of acceptance of ESOP application.
5	ESOP Reports: Email to be sent to ESOP Direct for Individual Reports and Exercise Report
6	Advance to be processed in favour of NSDL & CDSL for Corporate Action. Payment is not required for Depository for which there is no record to process.

7	Circular Resolution: On Receipt of Bank Statement and Reports from ESOP Direct to prepare and send circular resolution of Stakeholders Relationship Committee seeking approval for Allotment of shares.
After Allotment of shares	
8	Allotment Register: To share the details on allotment of shares to Registrar and Transfer Agent and obtain Allotment Register and Validation of Demat accounts.
9	Certificate from PCS: To share allotment details and obtain the certificate from Practicing Company Secretary certifying receipt of ESOP Amount.
10	Passing of necessary entries: To share the allotment details to Finance & Treasury Department for utilising fund received as application money for business purpose and passing necessary entries.
11	Intimation to Stock Exchanges: Inform to the Stock Exchanges about allotment of shares
Filing of Corporate Action Form with Depositories	
12	Distinctive Numbers: Arrange to get a Distinctive Number approval from BSE & NSE in co-ordination with RTA and forward the same to concern Depositories.
13	Stamp Duty: Payment of Stamp Duty with NSDL & CDSL respectively
14	Credit confirmation letter: RTA to upload the credit confirmation letter with CDSL & NSDL.
15	Corporate Action: To send the Corporate Action Form along with supporting Documents in original and Payment instruction to NSDL & CDSL
Listing Application with Stock Exchanges wherever listed	
16	Listing & Trading Permission: To file all the documents with respect to Listing & Trading Permission with Stock Exchanges
17	To share the Listing Approval to RTA and Depository Participant.
Filing of e-Form PAS 3	
18	File Return of Allotment in the e-Form PAS 3 with ROC within 30 days from the date of allotment of Shares under ESOP.
ESOP Perk Tax	

19	Calculation of ESOP Tax details and intimate the respective ESOP allottees for payment of the same.
20	Payment of ESOP Tax to be ensured. File the TDS return before 7th of subsequent month.
SEBI PIT Disclosure	
21	Intimation to ESOP allottees about allotment of shares and formalities to be complied with while dealing in the shares.
22	Disclosures from Employees to Secretarial team (for records) under SEBI (PIT) Regulation, 2015 , If acquisition / transaction by any allottee exceed the limits as mentioned in Reg. 7 of SEBI (PIT) Regulation, 2015 (i.e. Rs. 10 Lakh)

Reference:

- Securities Exchange Board of India (Share Based Employee Benefits) Regulations, 2014
- Policies of Companies.

“Treat your employees right so they won’t use your internet to look for new jobs.”

- Mark Zuckerberg



A stack of books is visible in the background, including titles like 'THE SECRET', 'THINK & GROW RICH', and 'THE 5AM CLUB'. In the foreground, a notebook with a white cover has the handwritten quote 'The World belongs to those who read' by Rick Holland. A purple pen and a yellow highlighter are also present.

Help Yourself

Food for Thought

Life's Amazing Secrets

- Gaur Gopal Das

Continuation of Previous edition

Disclaimer: This article does not endorse any book and is not sponsored by any author or publication. Content shared here is for knowledge and learning purposes only.

I wanted to share a few more learnings from the book we discussed last month, therefore the 'continued' in the title of this month's article.

You may have come across Gaur Gopal Das in forwarded WhatsApp videos or on social media platforms. He is a monk, an excellent orator who, with his humour and wit, spreads good messages through his speeches at various events across the globe. This book too, which is his very first one, is filled with valuable life lessons with a dash of humour.

If you are here for the first time, this column is to impart bite sized knowledge from self-help books, biographies, autobiographies, and other related genres, relevant specifically to corporate professionals and aspiring professionals. Not every learning that a book enshrines can be fit in here, so writing a summary or a book review is not the aim of this column. The intent is to give you a touch of acquaintance to a new book, in every issue of this e-magazine, hoping that it will make you want to grab it and read for yourself.

If you're looking to pick up the habit of reading, then this book can be a good start. As it is written by a life coach and has life lessons in the form of a story and so, this is the best one to help you pick up and continue your reading habit. Another self-help book that is by a life coach, written in the form of a story is 'The 5AM Club' by Robin Sharma (This book is discussed in this e-magazine's January 2021 issue.) Both the authors' form of writing keeps you hooked to the story and the content helps you to reflect on your life and gradually enhance the way you look at it. You can also pick up 'Think like a Monk' is a book written by Jay Shetty who was once a

monk and now imparts his learnings and experiences to various people mostly online, on social media and YouTube. This book is discussed in this e-magazine's December 2021 issue.

Half-way through the book, I felt the story is like Geethopadesha in a modern-day setup. I wouldn't wish to tell you about this any further, get going to the book and you'll know!

Let me share an idea from the fourteenth chapter of this book that is very interesting. It starts with a soul-stirring quote by Paulo Coelho (author of 'The Alchemist' discussed in the December 2020 issue of this e-magazine) which resonates with the title of this chapter- 'Self-Discovery. ' Gaur Gopal Das shares how he once wondered why people put a lot of effort into wrapping a gift. Why not give it upfront to our loved ones? The answer to this is obvious- it is because we want to create an element of excitement or surprise. Unwrapping it brings joy to both the giver and the gifted.

The author applies this simple logic to the best gift one can ever have- life! The author explains how the creator also has given us all talent, interests and potential unique to each of us. Imagine that given to us straight away. Wouldn't that be no fun?

Now with the knowledge that it is left to us to find treasures within us, doesn't it make the journey to self-discovery all the more exciting?

The author also notes that self-discovery isn't a one-time event. It is an ongoing evolution, which makes it even more intriguing.

With some more insights on unfurling many gifts within the gift of life, the author goes on to explain the Japanese philosophy of Ikigai which you must read from the book. There are several books centered on the concept of Ikigai which I am yet to explore.

That's all for this month, another book, another food for thought in the next. Help Yourself until then!

Columnist:

Aparna U
Executive Student
Email ID: aparnaikumari4@gmail.com





REGULATIONS

Regulatory Updates

SEBI Act, 1992

Updates on Circulars

Handling of clients' securities by Trading Members (TM) / Clearing Members (CM)

SEBI has issued various circulars from time to time in order to protect clients' funds and securities.

SEBI, vide circular no. CIR/HO/MIRSD/DOP/CIR/P/2019/75 dated June 20, 2019, introduced the "client unpaid securities account"

In order to further streamline the process of handling of unpaid securities by TM/CM and also to prevent any kind of misuse of such unpaid securities, the following is decided:

- All the securities received in pay-out, shall be transferred to the demat account of the respective clients directly from the pool account of the TM/CM within one working day of the pay-out.
- With regard to the unpaid securities such securities shall be transferred to respective client's demat account followed by creation of an auto-pledge with the reason "unpaid", in favour of a separate account titled "client unpaid securities pledgee account", which shall be opened by TM/CM.
- If the client fulfils Its funds obligation within five trading days after the pay-out, TM/CM shall release the pledge so that the securities are available to the client as free balance.

- If the client does not fulfill its funds obligation, TM / CM shall dispose off such unpaid securities in the market within five trading days after the pay-out. TM/CM, before disposing the securities, shall give an intimation (email / SMS) to the client, one trading day before such sale.
- The unpaid securities shall be sold in the market with the Unique Client Code (UCC) of the respective client.
- TM / CM shall invoke the pledge only against the delivery obligation of the client. On invocation, the securities shall be blocked for early pay-in in the client's demat account with a trail being maintained in the TM/CM's client unpaid securities pledgee account.
- In case, such pledge is neither invoked nor released within seven trading days after the pay-out, the pledge on securities shall be auto released and the securities shall be available to the client as free balance without encumbrance.
- All the existing "client unpaid securities accounts" shall be wound up on or before April 15, 2023

SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2022/153

Standardisation of Rating Scales used by Credit Rating Agencies

In supersession of Section B of SEBI circular numbered SEBI/HO/MIRSD/MIRSD_CRADT/P/CIR/2021/594 dated July 16, 2021, the following guidelines are prescribed with regard to standardisation of rating scales used by CRAs

- CRAs, in terms of Regulation 9(f) of SEBI (Credit Rating Agencies) Regulations, 1999 ("CRA Regulations"), undertake ratings of various financial instruments under the guidelines of different financial sector regulators or authorities.
- In order to standardise the usage of rating scales, CRAs are advised to align their rating scales with the rating scales prescribed under the guidelines of respective financial sector regulator or authority in terms of Regulation 9(f) of CRA Regulations.

Detailed guidelines are issued on the following with regard to rating scales used by CRA

- Issuer rating / Corporate credit rating
- Standard descriptors for rating watch and rating outlook
- Ratings of capital protection-oriented schemes
- Applicability
- Monitoring

SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2022/ 146

Reduction in denomination for debt securities and non-convertible redeemable preference shares

SEBI has made the following amendments in Chapter V (Denomination of issuance and trading of Non-convertible Securities) of the Operational Circular:

Paragraph 1.1. shall be replaced with the following:

1.1. The face value of each debt security or non-convertible redeemable preference share issued on private placement basis shall be Rs. One lakh.

Paragraph 2.1. shall be replaced with the following

2.1. The face value of the listed debt security and non-convertible redeemable preference share issued on private placement basis traded on a stock exchange or OTC basis shall be Rs. One lakh.

The provisions of this circular shall be applicable to all issues of debt securities and non-convertible redeemable preference shares, on private placement basis, through new ISINs, on or after January 1, 2023.

SEBI/HO/DDHS/P/CIR/2022/00144

Compiled by:

Mathruka B M
Professional Student
Email ID: mathruka30@gmail.com



In law a man is
guilty when he
violates the rights
of others. In
ethics he is guilty
if he only thinks
of doing so

Immanuel Kant



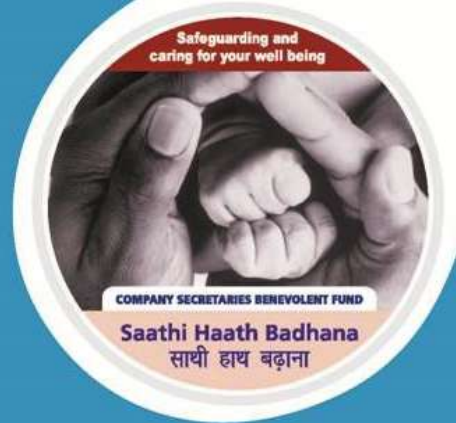
**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

CSBF

**COMPANY SECRETARIES
BENEVOLENT FUND**



What exactly is CSBF?

The Company Secretaries Benevolent Fund (CSBF) is a Society registered under the Societies Registration Act, 1860 and is recognized under Section 12A of the Income Tax Act, 1961.

The CSBF was established in the year 1976 by the ICSI, for creating a security umbrella for the Company Secretaries and/or their dependent family members in distress.

The amount of ₹ 7,50,000 (in the case of death of a member under the age of 60 years) has been increased to ₹ 10,00,000

The subscription amount is being increased from ₹ 10,000 to ₹ 12,500 soon

Is it the right time to enrol in CSBF?

CSBF is the protection you and your family need to survive the many ups and downs in life, be it a serious illness or a road accident which derails your plans for the future.

Is it a requirement?

Yes, as your dependents need the protection. Your dependents be it your parents, your spouse, or your children will have to bear the brunt of paying off your home/education personal loans and even for managing day-to-day expenses without your contribution.

If you do not want to leave behind such a situation in your absence, enrol in CSBF today.

Advantages of enrolling into CSBF

- 1 To ensure that your immediate family has some financial support in the event of your unfortunate demise
- 2 To finance your children's education and other needs
- 3 To ensure that you have extra resource during serious illness or accident
- 4 Subscription/Contribution to CSBF qualifies for deduction under Section 80G of the Income Tax Act, 1961

Become a proud Member of CSBF by making a one-time online subscription of ₹ 10,000/- (to be changed soon) through Institute's web portal (www.icsi.edu) along with Form 'A' available at link <https://www.icsi.edu/csbf/home> duly filled and signed.

Decide Now! Decide Wise!

Connect with ICSI

www.icsi.edu | | Online Helpdesk : <http://support.icsi.edu>