CS UPDATE

November 23, 2010

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SUBMISSION OF REPORT OF THE COMMITTEE FOR REVIEW OF OWNERSHIP AND GOVERNANCE OF MARKET INFRASTRUCTURE INSTITUTIONS

Disclaimer: - CS Update contains government notifications, case laws and contributions received from the members. Due care and diligence is taken in compilation of the CS Update. The Institute does not own the responsibility for any loss or damage resulting from any action taken on the basis of the contents of the CS Update. Anyone wishing to act on the basis of the contents of the CS Update is advised to do so after seeking proper professional advice.
FORTHCOMING PROGRAMME
Dear Member,

It’s that time of the year once again when we all rise and recognize the best governed companies of India. As in the past, the glorious *ICSI National Award for Excellence in Corporate Governance* would be awarded to the two best governed companies in India. Additionally, the Jury has decided to present certificate of recognition to next top five companies for adopting good corporate governance practices. *ICSI Lifetime Achievement Award for Translating Excellence in Corporate Governance into reality* would also be conferred at the Award function.

Before the award function, there will be a panel discussion on “Governance and CSR” by panelists of eminence.

The award function is scheduled to be held at Vigyan Bhawan, New Delhi on Thursday, the December 16, 2010.

All are invited to grace this gala Award Function and benefit intellectually from the thought-provoking Panel Discussion.

Regards,

CS N K Jain
Secretary & CEO
The ICSI
Dear Member,

INSOL International Seminar on December 3, 2010 at New Delhi - Update

In continuation of our mail inviting you to register for the above Seminar, I am pleased to inform you that the following speakers have consented to address the Seminar:

- Ashwani Puri, Veritas Advisors LLP, India
- Howard Seife, Chadbourne & Parke LLP, USA
- Nick Hood, Begbies Global Network, UK
- Adam Harris, Bowman Gilfillan Attorneys, South Africa
- Mahesh Uttamchandani, World Bank
- Jitesh Khosla, Indian Institute of Corporate Affairs, India
- Gordon Stewart, Allen & Overy LLP, UK
- Derek Sach, Royal Bank of Scotland, UK
- Alok Nigam, Joint Secretary, Banking Operations, Ministry of Finance, Govt of India
- S. Khasnobis, Asset Reconstruction Company (India) Ltd , India
- Rakesh Singh, Rothschild, India
- Alok Dhir, Dhir & Dhir Associates, India
- Ministry of Micro, Small and Medium Enterprises, Govt. of India
- B. Venkateswarlu, Kotak Infinity, India
- Michael Thierhoff, Thierhoff Illy, Germany
- Sumant Batra, Kesar Dass B. & Associates, India

In keeping with INSOL’s worldwide events, this seminar will be an opportunity for practitioners from across the industry to meet, discuss and share ideas and insights into both recent examples from their own work as well as potential future developments across the broader market-place.

Senior figures from within the profession will be presenting on key topics such as:

- Corporate Debt Restructuring (CDR),
- Development of the Insolvency Profession in India,
- Legal, Policy & Regulatory Challenges in Corporate Restructuring and
- Small and Medium Enterprise Insolvency.

The registration brochure can be located on the INSOL website. For registration brochure outlining the technical programme for the day as well as all practical details such as venue, location and timings Click Here.

Bookings are now being taken and INSOL would welcome your registration at its website: Click Here

If you have any questions about the event, please do not hesitate to contact Ms. Tina McGorman at tina@insol.ision.co.uk.

Regards,

Yours sincerely,
(N K JAIN)
SECRETARY & CEO
ATTENTION CORPORATES!

IN ORDER TO ENSURE SMOOTH FILING IN THIS MONTH FOR YOUR ANNUAL DOCUMENTS (ANNUAL RETURN etc.) PLEASE FILE EARLY WITHOUT WAITING FOR LAST DAY!! YOUR COOPERATION IS HIGHLY APPRECIATED.

WE APPRECIATE YOUR SUPPORT IN FILING YOUR ANNUAL DOCUMENTS (BALANCE SHEET etc.) IN TIMELY MANNER IN THE MONTH OF OCTOBER. WE HAD A RECORD FILING OF 70040 ON 29TH OCTOBER 2010.

Source: www.mca.gov.in
ADDITIONAL FEES REVISED w.e.f 5TH DECEMBER, 2010.

Dear Corporates,

It has been decided to revise the additional fees payable as per Section 611(2) of the Companies Act, 1956 (except for Form 5) as per below details with effect from 5th December 2010:

<table>
<thead>
<tr>
<th>Period of Delay</th>
<th>Fixed rate of additional fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 30 days</td>
<td>Two times of normal filing fee</td>
</tr>
<tr>
<td>More than 30 days and upto 60 days</td>
<td>Four times of normal filing fee</td>
</tr>
<tr>
<td>More than 60 days and upto 90 days</td>
<td>Six times of normal filing fee</td>
</tr>
<tr>
<td>More than 90 days</td>
<td>Nine times of normal filing fee</td>
</tr>
</tbody>
</table>

In order to avoid payment of additional fees, please file within stipulated time.

Source: www.mca.gov.in
LIMITED LIABILITY PARTNERSHIP (SECOND AMENDMENT) RULES, 2010 - SUBSTITUTION OF FORM 10 IN THE ANNEXURE

NOTIFICATION NO. G.S.R. 914(E), DATED 15-11-2010

In exercise of the powers conferred by sub-sections (1) and (2) of section 79 of the Limited Liability Partnership Act, 2008 (6 of 2009), the Central Government hereby makes the following rules further to amend the Limited Liability Partnership Rules, 2009, namely :—

1. (1) These rules may be called the Limited Liability Partnership (Second Amendment) Rules, 2010.
   (2) They shall come into force on the 6th day of December, 2010.

2. In the Limited Liability Partnership Rules, 2009, in the Annexure, for Form 10, the following Form shall be substituted, namely :—
RBI UPDATE
The Chief Executive Officers of All Urban Co-operative Banks

Dear Sir/Madam,

Maximum Limit on Unsecured Loans and Advances

Please refer to our circular UBD BPD (PCB) Cir. No. 51/13.05.000/2002-03 dated April 29, 2003 and circular UBD BPD (PCB) Cir. No. 22/13.05.000/2005-06 dated December 5, 2005. The Reserve Bank had announced in its Second Quarter Review of Monetary Policy 2010-11 enhancement in the limits on unsecured loans granted by Urban Co-operative Banks (UCBs). The relevant paragraphs of the Review are reproduced below.

“Enhancement of Limits on Unsecured Loans and Advances Granted by UCBs

93. Keeping in view the growth in business of the UCBs over the years, it is proposed:

- to enhance the existing limits on individual unsecured loans and advances extended by the UCBs, which are complying with the regulatory capital to risk-weighted assets ratio (CRAR) of 9 per cent, subject to overall ceiling of 10 per cent of total assets.

94. Detailed guidelines in this regard will be issued separately.”

2. Accordingly, it has been decided to enhance the limits on unsecured loans and advances granted by UCBs complying with the regulatory capital to risk-weighed asset ratio (CRAR) of 9 per cent. The enhanced limits for grant of unsecured loans (with or without surety or for cheque purchase) are as under.

(a) Limits for Individual Borrower and Group Borrower

<table>
<thead>
<tr>
<th>Criteria</th>
<th>UCBs with DTL up to Rs. 10 crore</th>
<th>UCBs with DTL above Rs. 10 crore &amp; up to Rs. 50 crore</th>
<th>UCBs with DTL above Rs. 50 crore &amp; up to Rs.100 crore</th>
<th>UCBs with DTL above Rs. 100 crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCBs having CRAR equal to or more</td>
<td>Rs.1.00 lakh</td>
<td>Rs. 2.00 lakh</td>
<td>Rs. 3.00 lakh</td>
<td>Rs. 5.00 lakh</td>
</tr>
</tbody>
</table>
The total unsecured loans and advances (with surety or without surety or for cheque purchase) granted by a UCB to its members should not exceed 10 per cent of its total assets as per the audited balance-sheet as on 31 March of the preceding financial year. The total assets should be reckoned net of losses, intangible assets and contra items like bills receivables etc.

3. An amending directive UBD.BPD. (PCB) Dir.No.1/13.05.000/2010-11 dated November 15, 2010 is enclosed.

4. The enhanced limits would be applicable from the date of this circular. UCBs having unsecured loans and advances in excess of 10 per cent of its total assets may initiate steps to align their exposure to the revised limits within a period of six months from the date of this circular.

Yours faithfully,

(A. Udgata)

Chief General Manager-in-Charge

Encl: Directive

UBD. BPD. (PCB) Dir. No. 1/13.05.000/2010-11

November 15, 2010

The Chief Executive Officers of All Urban Co-operative Banks

**Maximum Limit on Unsecured Loans and Advances**

In exercise of the powers conferred under Section 21 read with Section 56 of the Banking Regulation Act, 1949, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest and in the interest of depositors to do so, hereby directs, in partial modification of its directives UBD.BPD.(PCB) DIR.6/ 13.05.000/2002-03 dated April 29, 2003 and UBD. No. DIR 2/13.05.000/2005-06 dated December 5, 2005 that :

2. Urban Co-operative Banks (UCBs) may grant unsecured loans and advances (with or without surety or for cheque purchase) within the under noted limits only.

<table>
<thead>
<tr>
<th>than 9 %</th>
<th>UCBs having CRAR less than 9 %</th>
<th>Rs. 0.25 lakh</th>
<th>Rs. 0.50 lakh</th>
<th>Rs. 1.00 lakh</th>
<th>Rs. 2.00 lakh</th>
</tr>
</thead>
</table>

**(b) Aggregate Limits**

The total unsecured loans and advances (with surety or without surety or for cheque purchase) granted by a UCB to its members should not exceed 10 per cent of its total assets as per the audited balance-sheet as on 31 March of the preceding financial year. The total assets should be reckoned net of losses, intangible assets and contra items like bills receivables etc.
(a) Limits for Individual Borrower / Group Borrower

<table>
<thead>
<tr>
<th>Criteria</th>
<th>UCBs with DTL up to Rs. 10 crore</th>
<th>UCBs with DTL above Rs. 10 crore &amp; up to Rs. 50 crore</th>
<th>UCBs with DTL above Rs. 50 crore &amp; up to Rs. 100 crore</th>
<th>UCBs with DTL above Rs. 100 crore</th>
</tr>
</thead>
<tbody>
<tr>
<td>UCBs having CRAR equal to or more than 9 %</td>
<td>Rs. 1.00 lakh</td>
<td>Rs. 2.00 lakh</td>
<td>Rs. 3.00 lakh</td>
<td>Rs. 5.00 lakh</td>
</tr>
<tr>
<td>UCBs having CRAR less than 9 %</td>
<td>Rs. 0.25 lakh</td>
<td>Rs. 0.50 lakh</td>
<td>Rs. 1.00 lakh</td>
<td>Rs. 2.00 lakh</td>
</tr>
</tbody>
</table>

(b) Aggregate Limits

The total unsecured advances (with surety or without surety or for cheque purchase) granted by a UCB to its members should not exceed 10 per cent of its total assets as per the audited balance-sheet as on 31 March of the preceding financial year. However, UCBs having unsecured advances in excess of the revised limits are permitted to conform to the above limits within six months from the date of this Directive.

Explanations

3. For the purpose of this directive:
   a. The total assets should be reckoned net of losses, intangible assets and contra items like bills receivables etc.
   b. The total of the Demand and Time Liabilities (DTL) shall be the same as defined in Section 42 of the Reserve Bank of India Act, 1934 / Section 18 of the Banking Regulation Act, 1949 read with Section 56 of the Act *ibid*.

4. All other conditions in our Directive UBD.PCB.DIR 6/13.05.000/2002-03 dated April 29, 2003 remain unchanged.

5. The modification of the previous directive referred to in this directive shall not in any manner whatsoever affect any action taken by the Reserve Bank under the previous directive and shall not absolve any primary cooperative bank from its liability in respect of any contravention of or any non compliance with the provisions of the said directive.

6. In the event of any dispute relating to interpretation of any of the provisions of this directive, the Reserve Bank’s decision thereon shall be final.

(V.K. Sharma)
Executive Director

SECTION 23 OF THE BANKING REGULATION ACT, 1949- RELAXATIONS IN BRANCH LICENSING POLICY

RBI/2010-11/283
RPCD.CO.RRB.BC No. 28/ 03.05.90-A/2010-11

November 18, 2010

The Chairmen
All Regional Rural Banks

Dear Sir,

Section 23 of the Banking Regulation Act, 1949- Relaxations in Branch Licensing Policy

A reference is invited to paragraph 80 of the Second Quarter Review of Monetary Policy for the Year 2010-11 (extract enclosed – Annex I) regarding the proposal to liberalise the extant Branch Licensing for Regional Rural Banks.

2. Accordingly, Reserve Bank of India hereby permits Regional Rural Banks to open branches in Tier 3 to Tier 6 centres (with population up to 49,999 as per Census 2001 – details of classification of centres tier-wise furnished in Annex II) without having the need to take permission from Reserve Bank of India in each case, subject to reporting, provided they fulfil the following conditions as per the latest inspection report:-

i) CRAR of at least 9%;

ii) Net NPA less than 5%;

iii) No default in CRR/SLR for the last year;

iv) Net profit in the last financial year;

3. Other RRBs will have to continue to approach RBI/ NABARD as hitherto. As RRBs have to be fully CBS compliant by September 30, 2011, after that date, the liberalisation will be available only to such RRBs.

4. All other instructions contained in our Master circular RPCD.CO.RRB.BC No. 8/ 03.05.90-A/2010-11 dated July 1, 2010, on Branch Licensing, remain unchanged.

Yours faithfully,

(B.P.Vijayendra)
Chief General Manager

Encls.: As above (02 sheets)
Annex I

Extract of Second Quarter Review of Monetary Policy 2010-11

Liberalisation in Branch Licensing of Regional Rural Banks

80. As part of further liberalisation of the extant branch licensing policy in respect of regional rural banks (RRBs), it is proposed:

- to allow RRBs to open branches in Tier 3 to Tier 6 centres as identified in the Census 2001 (with population up to 49,999) without prior authorisation of the Reserve Bank, subject to their fulfilling certain conditions.

Annex II

Details of tier-wise classification of centres based on population

<table>
<thead>
<tr>
<th>(i) Classification of centres (tier-wise)</th>
<th>Population (as per 2001 Census)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 -</td>
<td>1,00,000 and above</td>
</tr>
<tr>
<td>Tier 2-</td>
<td>50,000 to 99,999</td>
</tr>
<tr>
<td>Tier 3-</td>
<td>20,000 to 49,999</td>
</tr>
<tr>
<td>Tier 4-</td>
<td>10,000 to 19,999</td>
</tr>
<tr>
<td>Tier 5-</td>
<td>5,000 to 9,999</td>
</tr>
<tr>
<td>Tier 6-</td>
<td>Less than 5000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(ii) Population-group wise classification of centres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Centre</td>
</tr>
<tr>
<td>Semi-urban centre</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>----------------------</td>
</tr>
<tr>
<td>Urban centre</td>
</tr>
<tr>
<td>Metropolitan centre</td>
</tr>
</tbody>
</table>
SEBI UPDATE
Submission of report of The Committee for Review of Ownership and Governance of Market Infrastructure Institutions

The Securities and Exchange Board of India constituted a Committee under the Chairmanship of Dr. Bimal Jalan, (Former Governor, Reserve Bank of India) to examine issues arising from the ownership and governance of Market Infrastructure Institutions (MIIs). Dr. Bimal Jalan submitted the report to Chairman, SEBI on November 22, 2010.

The committee deliberated and recommended primarily on the following issues among others after going through a consultative process.

1. Ownership norms: Structure of MIIs, ownership norms for the MIIs, ownership and control of an MII in another class of MII, foreign participation etc.

2. Governance norms: The board composition for the three MIIs and disclosures to be made by board members.

3. Measures for conflicts resolution: Appointment and compensation for senior management of the MII including MD/CEO, measures to ensure autonomy of regulatory departments and requirements for a compliance officer etc.

4. Other issues: Listing of MIIs, net worth requirements, distribution of profits of MIIs, related businesses that can be entered into by MIIs, replacement of MIMPS Regulations and powers to SEBI.

The other members of the Committee were:

a. Dr. K.P. Krishnan, Joint Secretary, Ministry of Finance (till June 30, 2010), Secretary, Economic Advisory Council to the Prime Minister of India (from July 1, 2010)

b. Shri. Kishor Chaukar, Managing Director, Tata Industries

c. Shri. Uday Kotak, Managing Director, Kotak Mahindra Bank Ltd.

d. Prof. G. Sethu, Officer on Special Duty, National Institute of Securities Markets
The report of the Committee is available on SEBI’s website (www.sebi.gov.in). Public comments on the same may be sent to rajeshkd@sebi.gov.in by December 31, 2010 in the following format:-

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Recommendation of the Committee</th>
<th>Comment with rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Insert reference to paragraph in the Committee’s Report</td>
<td>Provide your comment here</td>
</tr>
</tbody>
</table>

Mumbai
November 23, 2010