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CS Update

July 01, 2011

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PREVIOUS ISSUES of CS UPDATE ARE AVAILABLE AT THE FOLLOWING LINK:

<http://www.icsi.edu/Member/CSUpdate/tabid/1635/Default.aspx>

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FROM NEAR TO FAR





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12th NATIONAL CONFERENCE OF PRACTISING COMPANY SECRETARIES

DATES & DAYS: JULY 14-15-16, 2011 (THURSDAY, FRIDAY & SATURDAY)

VENUE: STERLING HOLIDAY RESORTS (FERN HILL), KUNDAH HOUSE ROAD, FERN HILL, OOTACAMUND – 643004 (OOTY) - TAMIL NADU : 0423 – 2441073 / 74, 2452840 / 41 / 42

THEME

PCS: Strategic Options in the New Decade

SUB-THEMES

1. Futuristic Changes in MCA mechanism – Role of CS
2. Capital Market – Professional opportunities
3. Emerging opportunities in SMEs
4. Appearances before various tribunals / quasi judicial authorities
5. Corporate Governance, CSR and Sustainability Reporting

Brochure & FAQs available at the link:

http://www.icsi.edu/webmodules/linksofweeks/12_NC_PCS.htm



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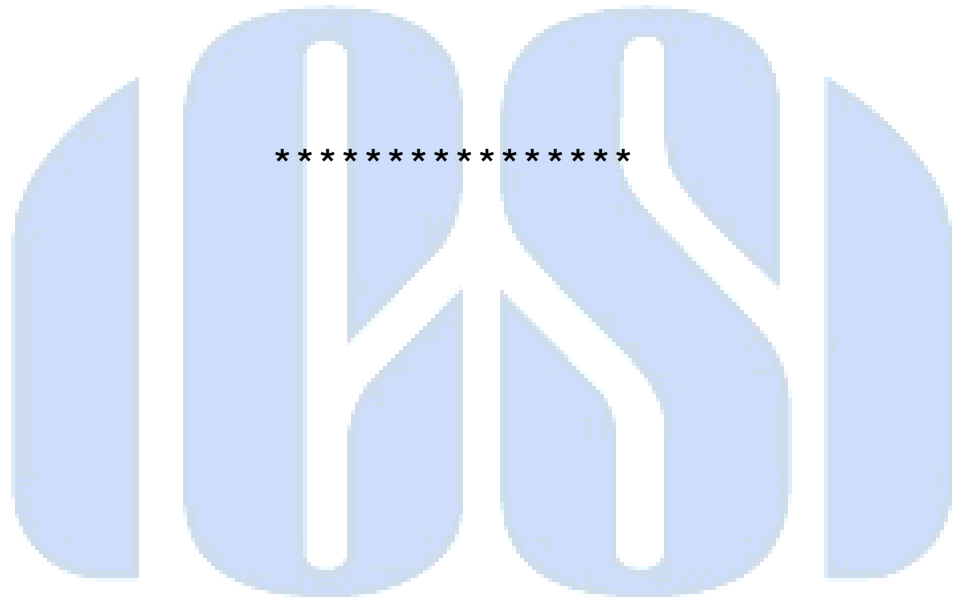
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39th NATIONAL CONVENTION OF COMPANY SECRETARIES

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Details of the Convention to be announced shortly.



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XBRL TRAINING AND SOFTWARE VENDORS



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Dear Professional Colleague,

The Ministry of Corporate Affairs has setup a dedicated portal (<http://xbrl.icai.org/>) for XBRL containing the Business rules, XBRL Taxonomies, Filing Manual, FAQs, etc.

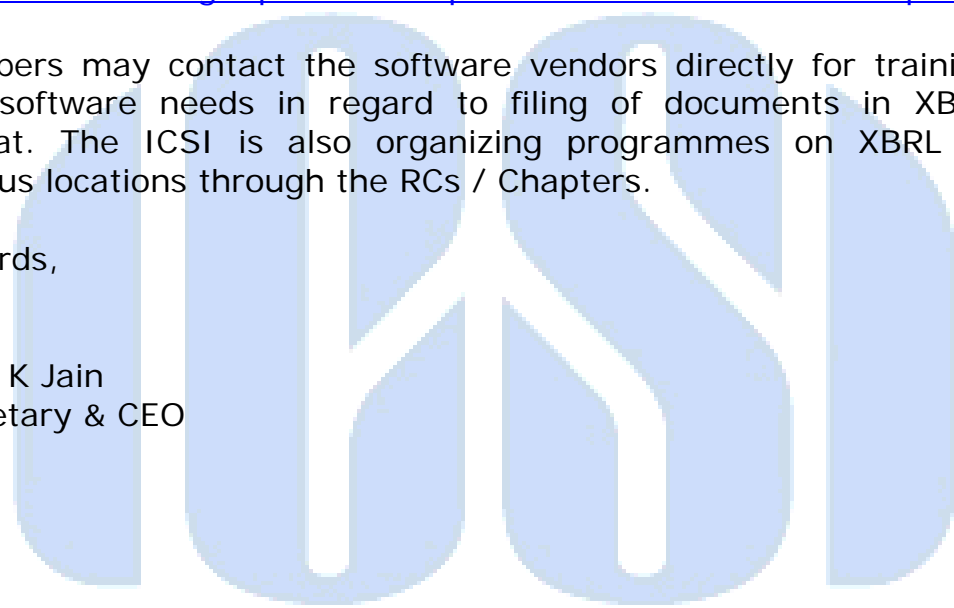
The MCA has also put a list of XBRL Training and Software Vendors on the portal at the link:

<http://xbrl.icai.org/wp-content/uploads/2011/06/resources1.pdf>

Members may contact the software vendors directly for training and software needs in regard to filing of documents in XBRL format. The ICSI is also organizing programmes on XBRL at various locations through the RCs / Chapters.

Regards,

CS N K Jain
Secretary & CEO





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ICSI Celebrates Corporate Governance Week

August 8-12, 2011

The Institute of Company Secretaries of India (ICSI) is one of the first professional bodies in India to initiate discussion on "Corporate Governance" in the light of Cadbury Committee Report in the year 1997. The Institute has taken several initiatives on corporate governance including ICSI National Award for Excellence in Corporate Governance; ICSI Life Time Achievement Award for Translating Excellence in Corporate Governance into Reality; Issuance of Secretarial Standards to harmonise diverse Corporate Secretarial Practices; Post Membership Qualification (PMQ) Course in Corporate Governance; Directors Development Programmes; International Conferences on Corporate Governance; Investor Education and Awareness Programmes; as well as Joint Programmes with OECD, GCGF (IFC – Washington), INSOL International, Cass Business School (London), ICSA Singapore, ICSA Malaysia, CISI, CMDA (Maldives), etc. for furthering the cause of corporate governance.

CORPORATE GOVERNANCE WEEK

Furthering the cause of good governance amongst corporate India, the Institute has decided to observe "ICSI Corporate Governance Week", as an Annual Event.

This year the week will be celebrated from August 8-12, 2011. It is proposed to organise programmes corporate governance, sustainability, ethics and integrity, risk management, Non-Financial Disclosures, Carbon Foot Prints, and Good Corporate Citizenship as well as furthering "Go Green" initiatives throughout the length and breadth of the country.

CORPORATE GOVERNANCE CONCLAVE

The celebrations of the Corporate Governance Week shall culminate into Corporate Governance Conclave. Besides building awareness, the Conclave would provide insights into the various facets of the corporate governance which have assumed significance in the changing business landscape and need the attention from governance professionals, industry leaders, academia, students and others.

THEME

"Integrating Sustainability into Corporate DNA"

Day & Date : Friday August 12, 2011

Venue : New Delhi

Faculty: Corporate Captains, learned professionals, global experts in Corporate Governance will enlighten participants on various intricate issues of Corporate Governance.

PCH – Members attending conclave will be awarded two PCH.

Knowledge Partners :



All are cordially invited to attend and participate in the Corporate Governance Week activities and Corporate Governance Conclave.



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THE INSTITUTE OF
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Ministry of Corporate Affairs
Government of India

ASSOCHAM
INDIA

INVESTOR AWARENESS PROGRAMMES ALL OVER INDIA

under the aegis of

INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

HIGHLIGHTS

- * Free entry to the Programme
- * Free Literature on capital market
- * Free interaction with Experts
- * Know your rights and responsibilities
- * Know your risk and return
- * Know about help lines www.investorhelpline.in & www.dchoutinvestors.com

All are cordially invited to support, participate and make it a grand success

Partner in investor education

THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

For details please log on www.icsi.edu

Click for: [Investor Awareness Programmes scheduled by ICSI during May- June 2011](#)



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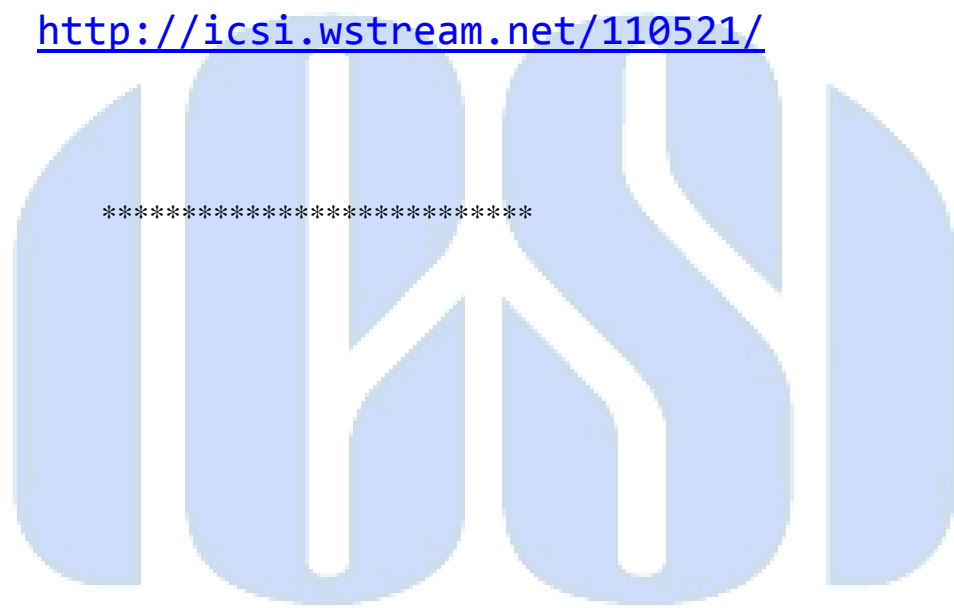
ICSI NATIONAL PROGRAMME ON XBRL-21.5.2011

Video recording of the ICSI National Programme is now available at the following link:

<http://icsi.wstream.net/110521/>



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FREQUENTLY ASKED QUESTIONS ON ICSI-USE MOU

1. What is United Stock Exchange of India?

United Stock Exchange of India Limited (USE) is India's newest stock exchange and has been promoted by 21 Indian public sector banks, private banks and corporate houses. USE is the trading platform for Currency Futures now.

2. Who can trade on currency futures?

Any Resident Indian or Company can become a member of USE and trade in the currency futures market. At present, Non Resident Indians (NRIs) and Foreign Institutional Investors (FIIs) are not permitted to trade in the futures market in India.

3. Why has ICSI partnered with USE?

ICSI-USE understand and realize the high growth potential of the Indian financial markets and has agreed to collaborate in variety of educative initiatives such as:

1. Holding and organizing seminars on financial markets and corporate governance to empower the users.
2. Creating infrastructure of knowledge based technical studies on financial markets.
3. Creating awareness about the complex financial instruments and using derivatives for effective hedging keeping accounting standards in perspective.
4. Conduct various kinds of certification programmes and literature on financial markets and corporate governance.
5. Hosting events such as simulation exercises (mock trading on exchanges), seminars, and training in financial markets to empower ICSI members and general investing public in rightfully analyzing the financial markets.
6. Conducting research and other related activities in financial markets and impact of corporate laws and Secretarial standards on financial markets.
7. Imparting and conducting special training and education programmes in financial markets.
8. Organizing short term courses on various asset classes, currency, interest rates, commodity, debt, mutual funds, and derivatives.
9. Organizing panel discussions, webcasting and presentation of experts on various aspects of financial markets and using electronic media for imparting knowledge.
10. Collaborating for joint certification of ICSI professionals on topics of professional interest.

4. What is the distinctive benefit offered by USE to ICSI Members?



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Membership of United Stock Exchange of India is available free of cost to all ICSI Members for the first three months from the signing of this MOU. The MOU was signed on March 07, 2011 at New Delhi.

5. What are the different types of membership available?

There are 2 types of memberships available with USE:

TRADING MEMBERSHIP: Trading Members have the privilege of trading on one's own account as well as on the accounts of their clients but do not have the facility to clear and settle debts.

CLEARING MEMBERSHIP: Clearing Members are entitled to clear and settle trades for all trading members through the clearing corporation of USE – ICCL (a wholly owned subsidiary of Bombay Stock exchange with fully automated post trade services).

6. Who can take membership of the exchange?

Any Proprietor, Partnership or Corporate Firm fulfilling the eligibility requirements laid down by SEBI can take membership of the exchange. Following are the requirements as per SEBI guidelines.

- For Trading Membership, the member should possess a liquid net worth of 1 Crore Rupees, while for a Clearing Membership the member requires liquid net worth of 5 Crore Rupees.
- The Designated Directors should have an experience of minimum 2 years in the capital market.
- Minimum 2 NISM (series – 1) certificates

7. How can I attain NISM Certification?

There is NISM online exam for the currency segment. The member can login and register online on the website of Bombay Stock Exchange and take a slot as per his/her convenience. The link for the same is <http://www.bseindia.com/training/nismregistration.asp>

8. How do ICSI members register themselves as trading members of USE? (Procedural Requirements)

The procedure for becoming a Trading Member with the exchange basically involves 2 steps i.e. filling the Application form and the Commencement of Business (COB) Form.

As a first step the applicant would be required to fill in and submit the Application Forms to the Exchange. These forms can be downloaded from USE website, the link for which is <http://www.useindia.com/downloads.php>.

These forms would be submitted to SEBI, who would scrutinise the forms and then issue its SEBI Certificate. After this the applicant would be required to submit the Commencement of Business Forms (COB) available on USE website.

Upon Completion of this formality the applicant becomes a full fledged member.



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9. What activities can I undertake on the platform?

The member can use this platform for meeting his need for all three functions i.e. for hedging, speculating and arbitraging. Spread contracts are also available on the USE platform.

10. Would I have to undertake any hidden costs?

At the time of inception to trade, Trading member is required to pay a security deposit of 1 Lakh Rupees to the exchange which is fully refundable upon surrender of the membership.

Similarly a Clearing member would have to pay security deposit of 50 Lakh Rupees which constitutes of 25 Lakhs as cash and other 25 Lakhs as non cash component. This is a non interest bearing deposit.

The software and connectivity would be provided by the exchange free of cost. Members having BSE connectivity would also be able to use it for USE software for free. As of now, there are no transaction charges on the exchange.

11. For further Information and queries please contact:

Directorate of Academics & Professional Development
Institute of Company Secretaries of India
Email: sonia.baijal@icsi.edu
Tel: 011-45341032,45341039

Membership Department
United Stock Exchange of India Ltd.
Email: membership@useindia.com
Tel: 022- 42444902





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EXCLUSIVE OFFER FOR ICSI MEMBERS FROM EJURIX & ICSI-KP



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- Secretarial Practice Recorder module which includes Checklists, Model Resolutions, Model Notices etc.

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email: caselaw@ejurix.com ; icsikp@axardigital.com

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** Only Corporate Law module is available for non ICSI members at Rs 10,000/- P A

* Taxes Extra on all prices mentioned

* Subscription amounts are for 1 yr

{*} 25% discount for CS Professionals = 30,000 (eJurix) + 2,500 (ICSI-KP)

{**} 30% discount for PCS & Sr. Members = 28,000 (eJurix) + 2,250 (ICSI-KP)

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MCA UPDATE





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PROPOSED GUIDELINES FOR CONVERSION OF SECTION 25 COMPANY (NON PROFIT COMPANY) TO AN ORDINARY COMPANY UNDER COMPANIES ACT, 1956.

F.No.17/178/2011-CL-V
Government of India
Ministry of Corporate Affairs
CL V Section

5th Floor, A Wing, Shastri Bhavan,
Dr. R.P. Road, New Delhi
Dated the

Regional Directors,

All Registrar of Companies,

All Stakeholders

Sub : Proposed guidelines for conversion of section 25 company (non profit company) to an ordinary company under Companies Act, 1956.

Sir,

The Ministry has been receiving representation from various stakeholders to develop a procedure under Companies Act, 1956 for conversion of section 25 company (non-profit company) to an ordinary company because there are a number of section 25 companies which have not done any activity after obtaining license under section 25 or have stopped such activities, and now want to convert themselves as an ordinary company.

2. At present there is no specific provision under Companies Act, 1956, where a company can apply for conversion of a section 25 company (non profit company) to an ordinary company. The Central Government is however empowered under section

25(7) of the Companies Act, 1956 to revoke the license granted under section 25(1) or 25(3) of the Companies Act, 1956. This may tantamount as conversion of section 25 (non-profit) company to an ordinary company subject to certain conditions.

3. Section 25 companies, being a non profit organization/company normally receive contribution from all sections of the society in the form of donations, contributions, etc for the furtherance of the charitable, philanthropic activities or for such other useful objects. Such non profit companies sometime also enjoy special status and benefit from various authorities such as Income Tax, Commissioner of Charity, any organization of Central Government or State Government, Municipal Body or any other recognized authority.

4. The Companies Regulation, 1956 also provides for distribution of assets of such companies on winding up as under: --

"If upon a winding up or dissolution of the company, there remains, after the satisfaction of all the debts and liabilities, any property whatsoever, the same



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shall not be distributed amongst the members of the company but shall be given or transferred to such other company having objects similar to the objects of this company, to be determined by the members of the company at or before the time of dissolution or in default thereof, by the High Court of Judicature that has or may acquire jurisdiction in the matter."

5. In the background of above provisions, the Ministry of Corporate Affairs is considering to prescribe following guidelines for conversion of a section 25 company to an ordinary company: --

I. A section 25 Company may apply to Registrar of Company in e-form 61 for its revocation of license under section 25 (7) of the Act. Such section 25 Company should satisfy following conditions: --

(a) The company should have passed a resolution in general meeting to convert itself into a non section 25 company which should have been approved by all members/shareholders of the company by adopting revised Memorandum and Articles of Association.

(b) The company has not commenced any activity or operation since its incorporation.

(c) The company has not received any donation, grants or contribution etc., other than from its members.

(d) Where the company has obtained any special status from any authority such as Income Tax, Commissioner of Charity or any organization or Department of Central Government, State Government, Municipal Body or any recognized authority then a "No Objection Certificate" has to be obtained from the concerned authority.

(e) The existing assets, if any has to be transferred to a similar object company before converting it into a non-section 25 company.

(f) The company should have filed its all upto date Balance Sheets and Annual Returns.

(g) The Directors have to file an affidavit confirming above compliances/ status.

(h) A certificate from practicing Chartered Accountants/ Company Secretary/ Cost Accountant certifying the above status / compliances by the company.

II. On receipt of above documents and being satisfied, the Registrar of Companies can considered to revoke license in exercise of his power under section 25(7) of the Act on merits.

6. You are requested to examine the proposed guidelines and furnish your comments/recommendations to the Ministry by 15th July, 2011 by e-mail on following e-mail addresses.

monika.gupta@mca.gov.in
kamna.sharma@mca.gov.in

Yours faithfully,
(Monica Gupta)
Assistant Director



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PROPOSED GUIDELINES FOR STRIKE OFF NAME UNDER SECTION 560 OF THE COMPANIES ACT, 1956 OF COMPANIES (NON PROFIT COMPANIES) WHICH HAVE BEEN GRANTED LICENSE UNDER SECTION 25 OF THE COMPANIES ACT, 1956

F.No.17/178/2011-CL-V
Government of India
Ministry of Corporate Affairs
CL V Section

5th Floor, A Wing, Shastri Bhavan,
Dr. R.P. Road, New Delhi
Dated the

All Regional Directors,
All Registrar of Companies,
All Stakeholders

Sub : Proposed guidelines for strike off name under section 560 of the Companies Act, 1956 of companies (non profit companies) which have been granted license under section 25 of the Companies Act, 1956.

Sir,

The Ministry has been receiving representation from various stakeholders to develop a procedure for strike off name under section 560 of the Companies Act, 1956 of companies (non profit companies) which have been granted license under section 25 of the Companies Act, 1956. There are a number of section 25 companies which have not done any activity after obtaining license under section 25 or have stopped such activities, and now want to strike off their name under section 560 of the Companies Act, 1956.

2. At present Registrar of Companies are not taking action either suo-moto or on request of companies for striking off the name of section 25 companies (non profit companies) under section 560 of the Companies Act, 1956. The Ministry of Corporate Affairs has also not permitted for exit of section 25 companies under various exit schemes under section 560 of the Act announced by it from time to time.

3. Section 25 companies, being a non profit organization/company normally receive contribution from all sections of the society in the form of donations, contributions, etc for the furtherance of the charitable, philanthropic activities or for such other useful objects. Such non profit companies sometime also enjoy special status and benefit from various authorities such as Income Tax, Commissioner of Charity, any organization of Central Government or State Government, Municipal Body or any other recognized authority.

4. The Companies Regulation, 1956 also provides for distribution of assets of such companies on winding up as under: --

"If upon a winding up or dissolution of the company, there remains, after the satisfaction of all the debts and liabilities, any property whatsoever, the same shall not be distributed amongst the members of the company but shall be given or transferred to such other company having objects similar to the objects of this company, to be determined by the members of the company at or before the time of dissolution or in default thereof, by the High Court of Judicature that has or may acquire jurisdiction in the matter."



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5. In the background of above provisions, the Ministry of Corporate Affairs is considering to prescribe following guidelines for strike off name under 560 of the Companies Act, 1956 for section 25 companies as under: --

I. A section 25 Company may apply to Registrar of Companies in e-form (to be prescribed) for strike off name under 560 of the Companies Act, 1956 after satisfying following conditions : --

(a) The section 25 company should have passed a resolution in general meeting to apply Registrar of Companies to strike off name under 560 of the Companies Act, 1956 which should have been approved by all members/shareholders of the company.

(b) The section 25 company has not commenced any activity or operation since its incorporation or stopped activities for more than last 03 years.

(c) The company has not received any donation, grants or contribution etc., other than its members.

(d) Where the company has obtained any special status from any authority such as Income Tax, Commissioner of Charity or any organization or Department of Central Government, State Government, Municipal Body or any recognized authority then a "No Objection Certificate" has to be obtained from the concerned authority.

(e) The existing assets, if any has to be transferred to a similar object company (section 25 company) before applying to Registrar of Companies for strike off the name under section 560 of the Act.

(f) The company should have filed its all upto date Balance Sheets and Annual Returns and latest Balance Sheet should not have any Assets or Liabilities.

(g) The Directors have to file an affidavit and indemnity as required under present exit guidelines and confirming above compliances/ status.

(h) A certificate from practicing Chartered Accountants/ Company Secretary/ Cost Accountant certifying the above status / compliances by the company.

II. On receipt of above documents and being satisfied, the Registrar of Companies may consider to initiate action under section 560 of the Companies Act, 1956.

6. You are requested to examine the proposed guidelines and furnish your comments/recommendations to the Ministry by 15th July, 2011 by e-mail on following e-mail addresses.

monika.gupta@mca.gov.in
kamna.sharma@mca.gov.in

Yours faithfully,

(Monika Gupta)
Assistant Director



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CARVES OUT PROVIDED IN IND AS

The Ind As have been prepared by NACAS and with its recommendation submitted to MCA.NACAS adopted due consultative proposed of hosting the draft Ind As insisting /suggestions and therefore after deliberated with industries representative in NACAS. The finally recommended Ind AS have the following carve outs. These carve outs have been made to fill up the gap/differences in application of Accounting Principles Practices and economic conditions prevailing in India.

1. Ind AS 21-The Effects of Changes in Foreign Exchange Rates

It requires recognition of exchange differences arising on translation of monetary items from foreign currency to functional currency directly in profit or loss.

Carve out

Ind AS 21 permits an option to recognise exchange differences arising on translation of certain long-term monetary items from foreign currency to functional currency directly in equity. In this situation, Ind AS 21 requires the accumulated exchange differences to be amortised to profit or loss in an appropriate manner.

2. Ind AS 28- Investment in Associates

1. Paragraph 25 require that difference between the reporting period of an associate and that of the investor should not be more than three months, in any case.

Carve out

The phrase 'unless it is impracticable' has been added in the relevant requirement i.e., paragraph 25 of Ind AS 28.

2. IAS 28 requires that for the purpose of applying equity method of accounting in the preparation of investor's financial statements, uniform accounting policies should be used. In other words, if the associate's accounting policies are different from those of the investor, the investor should change the financial statements of the associate by using same accounting policies.

Carve out

The phrase, 'unless impracticable to do so' has been added in the relevant requirements i.e., paragraph 26 of Ind AS 28.

3. Ind AS 32- Financial Instruments in Presentation Part,

A Carve out is an exception has been included to the definition of 'financial liability' in paragraph 11 (b) (ii), Ind AS 32 to consider the equity conversion option embedded in a convertible bond denominated in foreign currency to acquire a fixed number of entity's own equity instruments as an equity instrument if the exercise price is fixed in any currency. This exception is not provided in IAS 32.

4. Ind AS 39- Financial Instruments: Recognition and Measurement

IAS 39 requires all changes in fair values in case of financial liabilities designated at fair value through Profit and Loss at initial recognition shall be recognised in profit or loss. IFRS 9 which will replace IAS 39 requires these to be recognised in 'other comprehensive income'

Carve out



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A proviso has been added to paragraph 48 of Ind AS 39 that in determining the fair value of the financial liabilities which upon initial recognition are designated at fair value through profit or loss, any change in fair value consequent to changes in the entity's own credit risk shall be ignored.

5. Ind AS 103, Business Combinations

IFRS 3 requires bargain purchase gain arising on business combination to be recognised in profit or loss.

Carve out

Ind AS 103 requires the same to be recognised in other comprehensive income and accumulated in equity as capital reserve, unless there is no clear evidence for the underlying reason for classification of the business combination as a bargain purchase, in which case, it shall be recognised directly in equity as capital reserve.

6. Ind AS 101, First-time Adoption of Indian Accounting Standards (i) Presentation of comparatives in the First-time Adoption of Indian Accounting Standards (Ind AS) 101 (corresponding to IFRS 1)

IFRS 1 defines transitional date as beginning of the earliest period for which an entity presents full comparative information under IFRS. It is this date which is the starting point for IFRS and it is on this date the cumulative impact of transition is recorded based on assessment of conditions at that date by applying the standards retrospectively except to the extent specifically provided in this standard as optional exemptions and mandatory exceptions. Accordingly, the comparatives, i.e., the previous year figures are also presented in the first financial statements prepared under IFRS on the basis of IFRS.

Carve out

Ind AS 101, requires an entity to provide comparatives as per the existing notified Accounting Standards. It is provided that, in addition to aforesaid comparatives, an entity may also provide comparatives as per Ind AS on a memorandum basis.

(ii) Presentation of reconciliation

IFRS 1 requires reconciliations for opening equity, total comprehensive income, cash flow statement and closing equity for the comparative period to explain the transition to IFRS from previous GAAP.

Carve out

Ind AS 101 provides an option to provide a comparative period financial statements on memorandum basis. Where the entities do not exercise this option and, therefore, do not provide comparatives, they need not provide reconciliation for total comprehensive income, cash flow statement and closing equity in the first year of transition but are expected to disclose significant differences pertaining to total comprehensive income. Entities that provide comparatives would have to provide reconciliations which are similar to IFRS.

(iii) Cost of Non-current Assets Held for Sale and Discontinued Operations on the date of transition on First-time Adoption of Indian Accounting Standards (Ind AS)

Carve out



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July 01, 2011



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Ind AS 101 provides transitional relief that while applying Ind AS 105 - Non-current Assets Held for Sale and Discontinued Operations, an entity may use the transitional date circumstances to measure such assets or operations at the lower of carrying value and fair value less cost to sell.

(iv) Foreign currency gains/losses on translation of long term monetary items.

Carve out

Ind AS 101 provides that on the date of transition, if there are long-term monetary assets or long-term monetary liabilities mentioned in paragraph 29A of Ind AS 21, an entity may exercise the option mentioned in that paragraph regarding spreading over the unrealised Gains/Losses over the life of Assets/Liabilities either retrospectively or prospectively. If this option is exercised prospectively, the accumulated exchange differences in respect of those items are deemed to be zero on the date of transition.

(v) Financial instruments existing on transition date

Carve out

Ind AS 101 provides that the financial instruments carried at amortised cost should be measured in accordance with Ind AS 39 from the date of recognition of financial instruments unless it is impracticable (as defined in Ind AS 8) for an entity to apply retrospectively the effective interest method or the impairment requirements of Ind AS 39. If it is impracticable to do so then the fair value of the financial asset at the date of transition to Ind-ASs shall be the new amortised cost of that financial asset at the date of transition to Ind ASs. Ind AS 101 provides another exemption that financial instruments measured at fair value shall be measured at fair value as on the date of transition to Ind AS.

(vi) Definition of previous GAAP under Ind AS 101 Firsttime Adoption of Indian Accounting Standards

IFRS 1 defines previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS.

Carve out

Ind AS 101 defines previous GAAP as the basis of accounting that a **first-time adopter** used immediately before adopting Ind ASs for its reporting requirements in India. For instance, for companies preparing their financial statements in accordance with the existing Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 shall consider those financial statements as previous GAAP financial statements.

(vii) Cost of Property, Plant and Equipment (PPE), Intangible Assets, Investment Property, on the date of transition of First-time Adoption of Indian Accounting Standards.

Ind AS 101 provides an entity an option to use carrying values of all assets as on the date of transition in accordance with previous GAAP as an acceptable starting point under Ind AS.

B.Carve-outs for specific industries

7. Ind AS 18-Revenue



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On the basis of principles of the IAS 18, IFRIC 15 on Agreement for Construction of Real Estate, prescribes that construction of real estate should be treated as sale of goods and revenue should be recognised when the entity has transferred significant risks and rewards of ownership and has retained neither continuing managerial involvement nor effective control.

Carve out

IFRIC 15 has not been included in Ind AS 18, Revenue. Such agreements have been scoped out from Ind AS 18 and have been included in Ind AS 11, Construction Contracts.

8. Ind AS 18- Revenue

Carve out

A footnote has been added in paragraph 1 to Ind AS 18, Revenue, that for rate regulated entities, this standard shall stand modified, where and to the extent the recognition and measurement of revenue of such entities is affected by recognition and measurement of regulatory assets/liabilities as per the Guidance Note on the subject being issued by the Institute of Chartered Accountants of India.

9. Indian Accounting Standard on Agriculture (Corresponding to IAS 41)

IAS 41, Agriculture, requires measurement of biological assets, viz ,living animals and plants at fair value and recognizing gains and losses arising on such measurement in profit or loss, unless ascertainment of fair value is unreliable..

Carve out

It has been decided to revise the Standard and not to issue the standard as it is.

10. Ind As -19 Employee Benefits vis-à-vis IFRSs/IASs restricting options.

According to Ind AS 19 the rate to be used to discount post-employment benefit obligation shall be determined by reference to the market yields on government bonds, whereas under IAS 19, the government bonds can be used only where there is no deep market of high quality corporate bonds. To illustrate treatment of gratuity subject to ceiling under Indian Gratuity Rules, an example has been added in Ind AS 19. IAS 19 permits various options for treatment of actuarial gains and losses for post employment defined benefit plans whereas Ind AS 19 requires recognition of the same in other comprehensive income, both for post-employment defined benefit plans and other long-term employment benefit plans. The actuarial gains recognised in other comprehensive income should be recognised immediately in retained earnings and should not be reclassified to profit or loss in a subsequent period.



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USER GUIDE ON PAYING MCA21 FEES VIA NEFT MODE

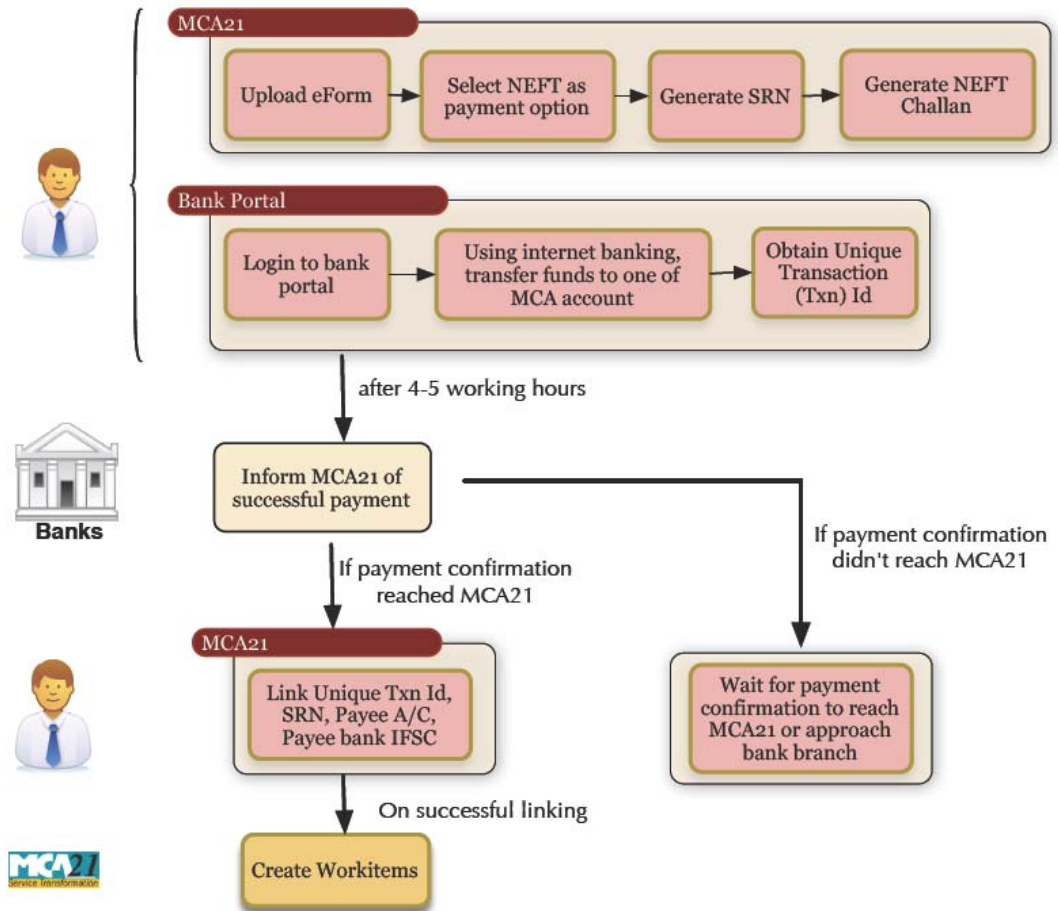
User Guide on Paying MCA21 Fees Via NEFT

Introduction:

Currently MCA21 payments are allowed via Credit Card, Internet Banking & Physical Challan. The Ministry has authorized 5 banks (Indian Bank, HDFC, ICICI, PNB and SBI) for collection of MCA21 fees, which means that only the account holders of these banks can avail Internet banking facility. Further, payment via challan can only be made in the authorized branches of these above five banks. Though this was a major improvement compared to the earlier manual system, it caused delays in incorporation of companies and processing of other eForms.

In order to eliminate inconveniences caused due to payment processing delays, Ministry is introducing payment of MCA fees via NEFT (National Electronic Fund Transfer) mode, in addition to already existing payment methods.

Process flow of payment of MCA21 fees using NEFT:





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1. User uploads eForm, selects 'NEFT' as payment option, generates a SRN and a eChallan which contains the procedure for conducting the NEFT transfer;
2. User transfer funds to one of the MCA21 account, via internet banking facility offered by their bank in which they hold an account. User may quote SRN in the remark column;
3. User's bank provides a unique transaction number (UTN) for the NEFT transfer;
4. Banks will inform MCA21 system in four to five working hours about the payment along with the UTN;
5. User logs in to MCA21 and link UTN and SRN. Additionally, for verification purpose, user will have to provide date of payment, IFSC code and account number from which the transfer was carried out and the amount. If the payment has been notified to MCA21 system and the details are matching, then the linking will be successful and MCA21 will create work item for further processing;
6. If details of payment for the SRN is still not received from banks, an information message is displayed to user to link SRN & UTN at a later time; If details doesn't match an error message is shown to the user.

What is NEFT?

NEFT is a nation-wide system that facilitates electronic transfer of funds from any bank branch to account holder of any other bank branch. The list of NEFT-enabled branches is available in the RBI website.

Presently, NEFT operates in hourly batches - there are eleven settlements from 9 am to 7 pm on weekdays and five settlements from 9 am to 1 pm on Saturdays.

NEFT transaction charges are available in the RBI website and are in addition to MCA21 filing fee.

Further details on NEFT can be found in the RBI website (<http://www.rbi.org.in/scripts/FAQView.aspx?Id=60>)

Notes for Information:

- 1) SRN will expire if payment doesn't reach MCA21 on time. Hence users should transfer funds well in advance taking into consideration of bank holidays and the settlement window mentioned as earlier.
- 2) Full amount has to be transferred in single transaction for a particular SRN. Amount can't be dividend into multiple payments.



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GREEN INITIATIVE IN CORPORATE GOVERNANCE



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General Circular No. 39/2011
No 17/95/2011/CL.V
Government of India
Ministry of Corporate Affairs
5th floor, 'A' Wing, Shastri Bhawan,
Dr. Rajendra Prasad Road, New Delhi
Dated: 21.06.2011

All the Regional Directors,
All the Registrar of Companies

Sub: Green Initiative in the Corporate Governance -- Issue of Certificates by Digital Signature

Sir,

The Ministry has issued a General Circulars No. 29/2011 dated 20.05.2011 wherein it was informed that in order to cut timelines and an another step towards "Green Initiative" it has been decided that all certificates and standard letters issued by the Registrar of Companies will now be issued electronically under the Digital Signature of the Registrar of Companies.

In this regard, Ministry has already developed thirteen (13) such digitally signed certificates and the same has been implemented under MCA-21 system as mentioned below: --

S. No.	Certificate Description	Form ID	Implementation date
1	Certificate of Registration for Modification of Mortgage, etc. u/s 132 read with section 135 of the Companies Act, 1956. (STP)	Form 8	29-May-11
2	Memorandum of Satisfaction of Mortgage, etc., Section 140 of the Companies Act, 1956 (STP)	Form 17	29-May-11
3	Certificate of Registration of Mortgage, etc. Under Section 132 of the Companies Act, 1956 (STP)	Form 8	29-May-11
4	Certificate of Incorporation	Form 1	12-Jun-11
5	Certificate for Establishment of Place of Business In India	Form 44	12-Jun-11
6	Certificate of Registration for Modification of Mortgage, etc. u/s 132 read with section 135 of the Companies Act, 1956. (NON STP)	Form 8	12-Jun-11
7	Memorandum of Satisfaction of Mortgage, etc., Section 140 of the Companies Act, 1956 (NON STP)	Form 17	12-Jun-11
8	Certificate of Registration of Mortgage, etc. Under Section 132 of the Companies Act, 1956 (NON STP)	Form 8	12-Jun-11
9	Fresh Certificate of Incorporation Consequent upon Change of Name	Form 1B	12-Jun-11
10	Fresh Certificate of Incorporation Consequent upon Change of Name on Conversion to Public Limited Company	Form 62	12-Jun-11
11	Certificate of Registration of Company Law Board order for Change of State	Form 18	12-Jun-11
12	Certificate of Registration of the Special Resolution Confirming	Form 23	12-Jun-11



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	Alteration of Object Clause(s)		
13	Fresh Certificate of Incorporation Consequent upon Change of Name on Conversion to Private Limited Company	Form 1B	12-Jun-11

It may please be noted that the remaining certificates are planned to be implemented by 3rd July, 2011.

The Registrar of Companies are hereby advised that after the date of implementation of Digital Certificates, no certificates shall be issued manually. All such pending certificates which are required to be issued manually, should be issued by 30th June, 2011.

Yours faithfully,

-Sd-
(Monika Gupta)
Assistant Director

Copy to: All concerned



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COMPANIES (DEMATERIALIZATION OF CERTIFICATES) RULES, 2011

No 17/143/2011-CL.V
Government of India
Ministry of Corporate Affairs

5th floor, 'A' Wing, Shastri Bhawan,
Dr. Rajendra Prasad Road, New Delhi
Dated: 06.06.2011

All the Regional Directors,
All the Registrar of Companies
All stakeholders

Subject: Companies (Dematerialization of Certificates) Rules, 2011

Sir,

The Ministry of Corporate Affairs is considering to issue Companies (Dematerialization of Certificates) Rules, 2011 so that all public Companies and their subsidiaries which have raised money by issue of shares, debentures, by accepting public deposits, stock, bond or any other financial instruments from public, other than from directors of the company, shall be required to issue and keep such share certificates, debenture certificates and certificates issued for receipt of deposits, stock, bond or any other financial instruments in dematerialized form only, in the manner prescribed in the Depositories Act, 1996 and regulation made there under.

You are requested to examine the draft rules and furnish your comments / recommendations to the Ministry latest by 30th June, 2011 by e-mail on the following e-mail addresses.

monika.gupta@mca.gov.in
kamna.sharma@mca.gov.in

Yours faithfully,

(Monika Gupta)
Assistant Director

'DRAFT'

[TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the June, 2011



CS Update

July 01, 2011



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GSR_ (E). – In exercise of the powers conferred by clause (b) of sub-section (1) of section 642 read with section 84, 58(A), 610B & 610C of the Companies Act, 1956, the Central Government hereby makes the following rules, namely:-

1. Short title and commencement:

- (1) These rules may be called the Companies (Dematerialization of Certificates) Rules, 2011
- 2) They shall come into force from 1st October, 2011.

2. In these rules, unless the context otherwise requires.

- (a) "Act" means the Companies Act, 1956 (1 of 1956);
- (b) "certificate" means share certificate, debenture certificate, deposit certificate, stock, bond or any other certificate or financial instrument through which money has been raised from the public;
- (c) The words & expressions used in these rules but not defined in these rules shall have the same meanings respectively assigned to them in the Act or Depositories Act, 1996.

3. All public Companies and their subsidiaries which have raised money by issue of shares, debentures, by accepting public deposits, stock, bond or any other financial instruments from public, other than from directors of the company, shall issue and keep such share certificates, debenture certificates and certificates issued for receipt of deposits, stock, bond or any other financial instruments in dematerialized form only, in the manner prescribed in the Depositories Act, 1996 and regulation made there under.

4. The companies falling in above categories shall convert their existing such certificates mentioned in para (3) above into dematerialized form by 30th September, 2011.



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July 01, 2011



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General Circular 37/2011

17/70/2011 –CL.V
Government of India
Ministry of Corporate Affairs

5th Floor, A Wing, Shastri Bhavan,
Dr. R.P. Road, New Delhi
Dated the 07.06.2011

To
All Regional Directors
All Registrar of Companies

Subject: Filing of Balance Sheet and Profit and Loss Account in eXtensible Business Reporting Language(XBRL) mode.

In supersession of this Ministry's Circular no. 9/2011 dated 31.03.2011 and 25/2011 dated 12.05.2011, Ministry of Corporate Affairs hereby mandated certain class of companies to file Balance sheets and Profit and loss Account alongwith Director's and Auditor's Report for the year 2010-11 onwards by using XBRL taxonomy. The Taxonomy Business Rules, Validity tools etc required for preparation the above documents in XBRL format as the existing Schedule VI and Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 have been prepared and hosted on the website of the Ministry at www.mca.gov.in. The **Frequently Asked Questions** (FAQs) about XBRL have been framed by the Ministry and they are being annexed as Annexure I with this circular for the information and easy understanding of the stakeholders. To enable filing on XBRL by stakeholders, MCA-21 portal will have XBRL filing module by July, 2011. Actual date will be informed separately.

Coverage in Phase I

2. The following class of companies have to file the Financial Statements in XBRL Form only from the year 2010-2011 :-

- (i) All companies listed in India and their Indian subsidiaries;
- (ii) All companies having a paid up capital of Rs. 5 Crore and above
- (iii) All companies having a turnover of Rs 100 crore and above.



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However banking companies, insurance companies, power companies and Non Banking Financial Companies (NBFCs) are exempted for XBRL filing, till further orders.

Additional Fee Exemption

3. All companies falling in Phase –I whose Balance Sheets are adopted in the Annual General Meeting held before 30.09.2011 are permitted to file upto 30-09-2011 without any additional filing fee. However, where companies hold the Annual General Meeting in the month of September 2011, they will file the Balance Sheet within 30 days from the date of adoption in the General Meeting as per section 220 of the Companies Act, 1956.

Training Requirement

4. Stakeholders desirous to have training on the XBRL or on taxonomy related issues, may contact the persons as mentioned in Annexure II.

A handwritten signature in black ink, appearing to read "J.N. Tikku".

(J.N. Tikku)

Joint Director

Tel 23381295

E – mail- [jyotinder.nath@mca.gov.in](mailto: jyotinder.nath@mca.gov.in)



CS Update

July 01, 2011

Annexure I

Frequently Asked Questions

1. What is XBRL?

XBRL is a language for the electronic communication of business and financial data which is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis and communication of business information. It offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data. XBRL stands for eXtensible Business Reporting Language. It is already being put to practical use in a number of countries and implementations of XBRL are growing rapidly around the world.

2. Who developed XBRL?

XBRL is an open, royalty-free software specification developed through a process of collaboration between accountants and technologists from all over the world. Together, they formed XBRL International which is now made up of over 650 members, which includes global companies, accounting, technology, government and financial services bodies. XBRL is and will remain an open specification based on XML that is being incorporated into many accounting and analytical software tools and applications.

3. What are the advantages of XBRL?

XBRL offers major benefits at all stages of business reporting and analysis. The benefits are seen in automation, cost saving, faster, more reliable and more accurate handling of data, improved analysis and in better quality of information and decision making. XBRL enables producers and consumers of financial data to switch resources away from costly manual processes, typically involving time-consuming comparison, assembly and re-entry of data. They are able to concentrate effort on analysis, aided by software which can validate and process XBRL information. XBRL is a flexible language, which is intended to support all current aspects of reporting in different countries and industries. Its extensible nature means that it can be adjusted to meet particular business requirements, even at the individual organization level.

4. Who can benefit from using XBRL?

All types of organizations can use XBRL to save costs and improve efficiency in handling business and financial information. Because XBRL is extensible and flexible, it can be adapted to a wide variety of different requirements. All participants in the financial information supply chain can benefit, whether they are preparers, transmitters or users of business data.

5. What is the future of XBRL?

XBRL is set to become the standard way of recording, storing and transmitting business financial information. It is capable of use throughout the world, whatever the language of the country concerned, for a wide variety of business purposes. It will deliver major cost savings and gains in efficiency, improving processes in companies, governments and other organisations.

6. Does XBRL benefit the comparability of financial statements?



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XBRL benefits comparability by helping to identify data which is genuinely alike and distinguishing information which is not comparable. Computers can process this information and populate both pre defined and customised reports.

7. Does XBRL cause a change in accounting standards?

No. XBRL is simply a language for information. It must accurately reflect data reported under different standards – it does not change them.

8. What are the benefits to a company from putting its financial statements into XBRL?

XBRL increases the usability of financial statement information. The need to re-key financial data for analytical and other purposes can be eliminated. By presenting its statements in XBRL, a company can benefit investors and other stakeholders and enhance its profile. It will also meet the requirements of regulators, lenders and others consumers of financial information, who are increasingly demanding reporting in XBRL. This will improve business relations and lead to a range of benefits.

With full adoption of XBRL, companies can automate data collection. For example, data from different company divisions with different accounting systems can be assembled quickly, cheaply and efficiently. Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. A company finance division, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders. Not only can data handling be automated, removing time-consuming, error-prone processes, but the data can be checked by software for accuracy.

9. How does XBRL work?

XBRL makes the data readable, with the help of two documents – Taxonomy and instance document. Taxonomy defines the elements and their relationships based on the regulatory requirements. Using the taxonomy prescribed by the regulators, companies need to map their reports, and generate a valid XBRL instance document. The process of mapping means matching the concepts as reported by the company to the corresponding element in the taxonomy. In addition to assigning XBRL tag from taxonomy, information like unit of measurement, period of data, scale of reporting etc., needs to be included in the instance document.

10. How do companies create statements in XBRL?

There are a number of ways to create financial statements in XBRL:

XBRL-aware accounting software products are becoming available which will support the export of data in XBRL form. These tools allow users to map charts of accounts and other structures to XBRL tags.

Statements can be mapped into XBRL using XBRL software tools designed for this purpose

Data from accounting databases can be extracted in XBRL format. It is not strictly necessary for an accounting software vendor to use XBRL; third party products can achieve the transformation of the data to XBRL.



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Applications can transform data in particular formats into XBRL. The route which an individual company may take will depend on its requirements and the accounting software and systems it currently uses, among other factors.

11. Is India a member of XBRL International?

India is now an established jurisdiction of XBRL International. A separate company, under section 25 has been created, to manage the operations of XBRL India. The main objectives of XBRL India are

- To create awareness about XBRL in India
- To develop and maintain Indian Taxonomies
- To help companies, adopt and implement XBRL.

For more information, visit www.xbrl.org/in

12. Which taxonomies developed for Indian reporting requirements? Where can I find the taxonomies?

Taxonomies for Indian companies are developed based on the requirements of

- Schedule VI of Companies Act,
- Accounting Standards, issued by ICAI
- SEBI Listing requirements.

Taxonomies for Manufacturing and service sector (referred as Commercial and Industrial, or C&I) and Banking sector, is acknowledged by XBRL International. These taxonomies are available at <http://www.xbrl.org/in/>

13. Where can I find more information about XBRL?

Please visit www.xbrl.org . Also Ministry of Corporate Affairs would be shortly developing its webpage on XBRL with list of contact persons for training purposes.

14. What are XBRL Documents?

An XBRL document comprises the taxonomy and the instance document. Taxonomy contains description and classification of business & financial terms, while the instance document is made up of the actual facts and figures. Taxonomy and Instance document together make up the XBRL documents.

15. What is Taxonomy?

Taxonomy can be referred as an electronic dictionary of the reporting concepts. Taxonomy consists of all the data definitions, the basic XBRL properties and the interrelationships amongst the concepts. It includes terms such as net income, EPS, cash, etc. Each term has specific attributes that help define it, including label and definition and potentially references. Taxonomies may represent hundreds or even thousands of individual business reporting concepts, mathematical and definitional relationships among them, along with text labels in multiple languages, references to authoritative literature, and information about how to display each concept to a user.



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16. What is meant by extending taxonomy?

Taxonomy is extended to accommodate items/relationship specific to the owner of the information. Taxonomy extension therefore can be

- a) Modification in the existing relationships
- b) Addition of new elements in the taxonomy
- c) Combination both a & b

17. Are Taxonomies based on any standards?

Yes, taxonomies are based on the regulatory requirements and standards which are to be followed by the companies. Accordingly, depending on the requirements of every country, there can be country-specific taxonomies.

18. What is an Instance document?

An XBRL instance document is a business report in an electronic format created according to the rules of XBRL. It contains facts that are defined by the elements in the taxonomy it refers to, together with their values and an explanation of the context in which they are placed. XBRL Instances contain the reported data with their values and "contexts". Instance document must be linked to at least one taxonomy, which defines the contexts, labels or references.

Thus, in order to concluded the usage and explain the XBRL technology which leads to more information exchanges that can be effectively automated by use. This one standard approach leads to the best interest of the company or more so for the international business interests globally that warrant the accuracy of all the financial data for the end users and early collaborative decisions by the companies or those whose interst is involved for acquisition/ rights etc.



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July 01, 2011



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RBI UPDATE





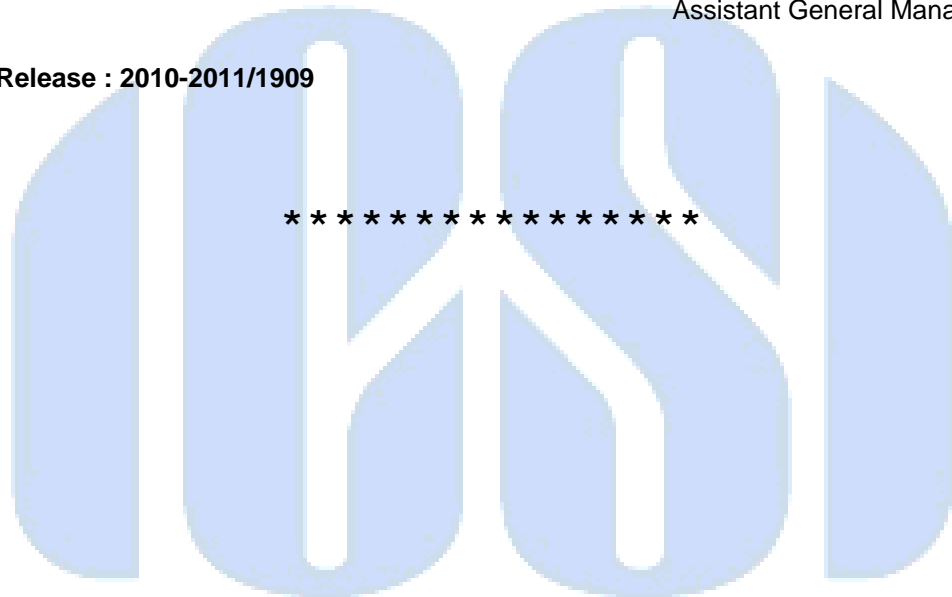
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BUYBACK / PREPAYMENT OF FOREIGN CURRENCY CONVERTIBLE BONDS (FCCBS)

After reviewing the current policy on buyback/prepayment of Foreign Currency Convertible Bonds (FCCBs), the Reserve Bank in consultation with the Government of India, has decided to extend the time limit for buyback of FCCBs issued by Indian companies up to March 31, 2012 at reduced discount rates. Accordingly, Indian companies have been permitted to buyback the FCCBs at a minimum discount of 8 per cent on the book value utilizing their foreign currency funds under the automatic route. Indian companies may also buyback the FCCBs at a minimum discount between 10 and 20 per cent on the book value utilizing their internal accruals under the approval route. Detailed instructions have been issued vide [A.P. \(DIR Series\) Circular No. 75 dated June 30, 2011](#).

Ajit Prasad
Assistant General Manager

Press Release : 2010-2011/1909





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OVERSEAS DIRECT INVESTMENT- LIBERALISATION/ RATIONALISATION

RBI/2010-11/584
A.P. (DIR Series) Circular No. 73

June 29, 2011

To

All Category-I Authorised Dealer Banks

Madam/Sir,

Overseas Direct Investment- Liberalisation/ Rationalisation

Attention of the Authorised Dealer (AD - Category I) banks is invited to the [Notification No. FEMA 120/RB-2004 dated July 7, 2004](#) [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004] (the Notification), as amended from time to time, and the following circulars issued thereunder:

- [A.P. \(DIR Series\) Circular No. 41 dated December 6, 2003](#)
- [A.P. \(DIR Series\) Circular No. 29 dated March 27, 2006](#)
- [A.P. \(DIR Series\) Circular No. 69 dated May 27, 2011](#)

With a view to restating the various provisions relating to transfer by way of sales of a joint venture or wholly owned subsidiary (JV or WOS) outside India with and without write off, the existing guidelines are consolidated as indicated below:

2. Transfer by way of sale of shares of a JV / WOS

An Indian Party, without prior approval of the Reserve Bank, may transfer by way of sale to another Indian Party which complies with the provisions of Regulation 6 of FEMA Notification 120/RB-2004 dated July 7, 2004 or to a person resident outside India, any share or security held by it in a JV or WOS outside India subject to the following conditions:

- the sale does not result in any write off of the investment made.
- the sale is to be effected through a stock exchange where the shares of the overseas JV/ WOS are listed;
- if the shares are not listed on the stock exchange and the shares are disinvested by a private arrangement, the share price is not less than the value certified by a Chartered Accountant / Certified Public Accountant as the fair value of the shares based on the latest audited financial statements of the JV / WOS;
- the Indian Party does not have any outstanding dues by way of dividend, technical know-how fees, royalty, consultancy, commission or other entitlements and / or export proceeds from the JV or WOS;
- the overseas concern has been in operation for at least one full year and the Annual Performance Report together with the audited accounts for that year has been submitted to the Reserve Bank;



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vi. the Indian party is not under investigation by CBI / DoE/ SEBI / IRDA or any other regulatory authority in India.

3. Transfer by way of sale of shares of a JV / WOS involving write off of the investment

(a) Indian Parties may disinvest without prior approval of the Reserve Bank, in the under noted cases where the amount repatriated on disinvestment is less than the amount of the original investment:

- i. in cases where the JV / WOS is listed in the overseas stock exchange;
- ii. in cases where the Indian Party is listed on a stock exchange in India and has a net worth of not less than Rs.100 crore;
- iii. where the Indian Party is an unlisted company and the investment in the overseas venture does not exceed USD 10 million and
- iv. where the Indian Party is a listed company with net worth of less than Rs.100 crore but investment in an overseas JV/WOS does not exceed USD 10 million.

(b) Such disinvestments shall be subject to the conditions listed at items (ii) to (vi) of paragraph 2 above.

4. The Indian Party is required to submit details of such disinvestment through its designated AD category-I bank within 30 days from the date of disinvestment.

5. An Indian Party, which does not satisfy the conditions stated above for undertaking any disinvestment in its JV/WOS abroad, shall have to apply to the Reserve Bank for prior permission.

6. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Any Foreign Security), Regulations, 2004 are being issued separately.

7. AD - Category I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

8. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Dr. Sujatha Elizabeth Prasad)
Chief General Manager



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FOREIGN DIRECT INVESTMENT (FDI) IN INDIA - ISSUE OF EQUITY SHARES UNDER THE FDI SCHEME ALLOWED UNDER THE GOVERNMENT ROUTE

RBI/2010-11/586
A. P. (DIR Series) Circular No.74

June 30, 2011

To

All Authorised Dealer Category-I Banks

Madam / Sir,

Foreign Direct Investment (FDI) in India - Issue of equity shares under the FDI Scheme allowed under the Government route

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide [Notification No. FEMA 20/2000-RB dated May 3, 2000](#), as amended from time to time.

2. In terms of the Schedule 1 of the Notification, *ibid*, an Indian company may, under the automatic route, issue equity shares/ preference shares to a person resident outside India, being a provider of technology / technical know-how and against royalty / lumpsum fees due for payment subject to certain conditions like entry route, sectoral cap, pricing guidelines and compliance with the applicable tax laws.

3. The extant guidelines for issue of equity shares/ preference shares under the Government route have been reviewed in consultation with the Government of India and, accordingly, it has been decided to permit issue of equity shares / preference shares under the Government route of the FDI scheme for the following categories of transactions:

(I) Import of capital goods/ machineries / equipments (including second-hand machineries), subject to compliance with the following conditions:

a. The import of capital goods, machineries, etc., made by a resident in India, is in accordance with the Export / Import Policy issued by the Government of India as notified by the Directorate General of Foreign Trade (DGFT) and the regulations issued under the Foreign Exchange Management Act (FEMA), 1999 relating to imports issued by the Reserve Bank;

b. There is an independent valuation of the capital goods / machineries / equipments (including second-hand machineries) by a third party entity, preferably by an independent valuer from the country of import along with production of copies of documents /certificates issued by the customs authorities towards assessment of the fair-value of such imports;

c. The application should clearly indicate the beneficial ownership and identity of the importer company as well as the overseas entity; and

d. All such conversions of import payables for capital goods into FDI should be completed within 180 days from the date of shipment of goods.

(II) Pre-operative/pre-incorporation expenses (including payments of rent, etc.) subject to compliance with the following conditions:



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- a. Submission of FIRC for remittance of funds by the overseas promoters for the expenditure incurred;
- b. Verification and certification of the pre-incorporation/ pre-operative expenses by the statutory auditor;
- c. Payments should be made directly by the foreign investor to the company. Payments made through third parties citing the absence of a bank account or similar such reasons will not be eligible for issuance of shares towards FDI; and
- d. The capitalization should be completed within the stipulated period of 180 days permitted for retention of advance against equity under the extant FDI policy.

4.(i) All requests for conversion should be accompanied by a special resolution of the company.

(ii) Government's approval would be subject to pricing guidelines of the Reserve Bank and appropriate tax clearance.

5. These directions have been issued with reference to the relevant paras of the Consolidated FDI Policy Circular 1 of 2011 dated March 31, 2011, issued by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.

6. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

7. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 will be issued separately.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Meena Hemchandra)
Chief General Manager-in-Charge**



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SEBI UPDATE





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REVIEW OF INTERNET BASED TRADING (IBT) AND SECURITIES TRADING USING WIRELESS TECHNOLOGY (STWT)

CIRCULAR

CIR/MRD/DP/ 8 /2011

June 30, 2011

To,

All Stock Exchanges

Dear Sir / Madam,

Sub: Review of Internet Based Trading (IBT) and Securities trading using Wireless Technology (STWT)

1. Further to the SEBI circular no SMDRP/POLICY/CIR-06/2000 dated January 31, 2000 on Internet Based Trading and SEBI circular no CIR/MRD/DP/25/2010 dated August 27, 2010 on Securities Trading using Wireless Technology, it has been decided that the stock exchange shall ensure that the broker comply with the following –

- a. The broker shall capture the IP (Internet Protocol) address (from where the orders are originating), for all IBT/ STWT orders.
- b. The brokers system should have built-in high system availability to address any single point failure.
- c. There should be secure end-to-end encryption for all data transmission between the client and the broker through a Secure Standardized Protocol. A procedure of mutual authentication between the client and the broker server should be implemented.
- d. The broker system should have adequate safety features to ensure it is not susceptible to internal/ external attacks.
- e. In case of failure of IBT/ STWT, the alternate channel of communication shall have adequate capabilities for client identification and authentication.
- f. Two-factor authentication for login session may be implemented for all orders emanating using Internet Protocol. Public Key Infrastructure (PKI) based implementation using digital signatures, supported by one of the agencies certified by the government of India, is advisable.

Further the two factors in the Two-factor authentication framework should not be same.

g. In case of no activity by the client, the system should provide for automatic trading session logout.

Further to the above, the following practice is advisable –



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h. The back-up and restore systems implemented by the broker should be adequate to deliver sustained performance and high availability. The broker system should have on-site as well as remote site back-up capabilities.

2. The clauses 1(a) to 1(g) shall be implemented within 9 months from the date of this circular.

3. SEBI vide circular no SMDRP/POLICY/CIR-06/2000 dated January 31, 2000 specified that exchanges shall put in place a system for handling of complaints with regard to IBT. In continuation to the above, the exchanges shall put in place a system for monitoring of specific complaints with regard to unauthorized access using IBT.

4. Exchanges are advised to

a) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.

b) bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.

c) communicate to SEBI, the status of the implementation of this circular in the Monthly Development Report.

5. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Harini Balaji
Deputy General Manager
022-26449372
email: harinib@sebi.gov.in
