



'ICSI House', 22 Institutional Area, Lodi Road, New Delhi-110003, India.  
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## CS Update

June 21, 2011

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## SEBI UPDATE

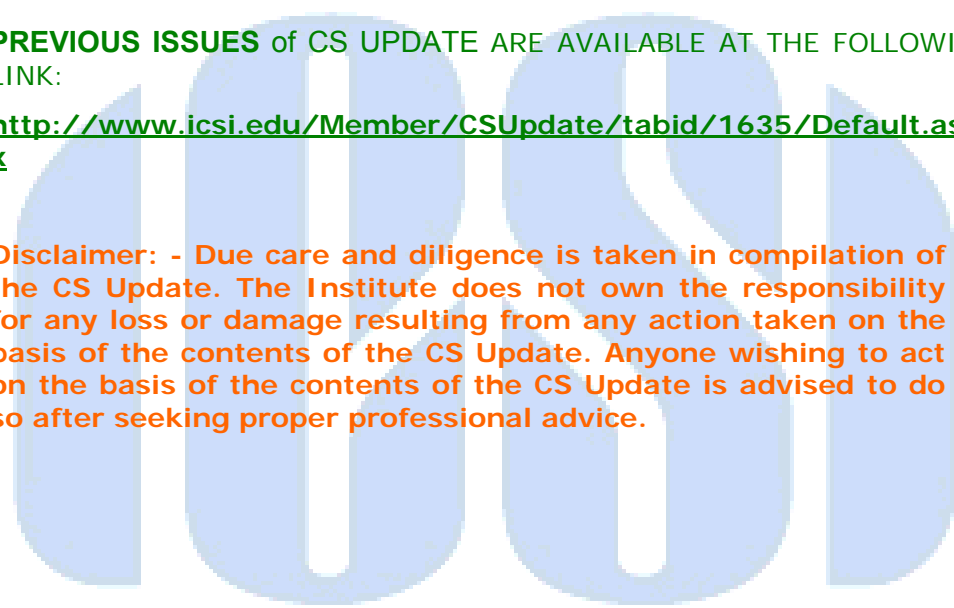
- > REPORTING OF OFFSHORE DERIVATIVE INSTRUMENTS (ODIS)/ PARTICIPATORY NOTES (PNS)
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- > CHANGE OF NAME BY LISTED COMPANIES
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- > DISCUSSION PAPER ON CONTINUING PROFESSIONAL EDUCATION

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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>

**Disclaimer:** - 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.





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# FROM ICS1





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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/>

## 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](http://www.icsi.edu/webmodules/linksofweeks/12_NC_PCS.htm)



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THE INSTITUTE OF  
Company Secretaries of India  
IN PURSUIT OF PROFESSIONAL EXCELLENCE



## 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](http://www.investorhelpline.in) & [www.dchoutinvestors.com](http://www.dchoutinvestors.com)

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

Partner in investor education



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

For details please log on [www.icsi.edu](http://www.icsi.edu)

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



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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?

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.



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## 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.

## 9. What activities can I undertake on the platform?



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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](mailto:sonia.baijal@icsi.edu)  
Tel: 011-45341032,45341039

Membership Department  
United Stock Exchange of India Ltd.  
Email: [membership@useindia.com](mailto:membership@useindia.com)  
Tel: 022- 42444902



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# CS Update

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## EXCLUSIVE OFFER FOR ICSI MEMBERS FROM EJURIX & ICSI-KP



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### Exclusive offer for ICSI Members Only!

For single user login-for 1 year  
eJurix Corporate Law Module + ICSI-KP

**ONLY Rs 7,500** (taxes extra)

#### Corporate Law Module includes:

- Supreme Court, All High Courts, Various Major Tribunals decisions on Corporate, Securities & Other Commercial Laws
- More than 2000 Local and Central Acts and Rules
- Notifications, Circulars, Press Releases from various authorities
- Forms, Formats, Drafts of Deeds and Agreements
- Secretarial Practice Recorder module which includes Checklists, Model Resolutions, Model Notices etc.

#### How to subscribe?

Send d.d./cheque in favour of "Spectrum Business Support Ltd" B-207, Kailas Complex, Park Site, Vikhroli (W), Mumbai – 400079

Or visit: <http://knowledge.icsi.edu> for online payment

For queries Call: 9320233070 / 9320233073  
email: [caselaw@ejurix.com](mailto:caselaw@ejurix.com) ; [icsikp@axardigital.com](mailto:icsikp@axardigital.com)

Since the ICSI has a formal tie-up with eJurix, you can now connect to either ICSI-KP or eJurix and seamlessly access contents on both! eJurix coverage of Corporate Law is the most respected today, with a large number of major Corporates as subscribers. eJurix is available on web & thru Smart Phone, so you can access what you want - even when you're on the move!

ICSI-KP website: <http://knowledge.icsi.edu>  
eJurix website: <http://www.ejurix.com>

ICSI and eJurix have come together to provide you a Professional Law Library composed of two services seamlessly available from any door you choose ... And, all this at a truly special price! Most importantly, you not only benefit yourself, you can even offer an incomparable deal to your colleagues in Taxation/ HR /Legal as well!

We also have our regular offer for PCS and ICSI Members on full version of eJurix (All Modules) at special discounts

32,500*	eJurix Total (1 user) + ICSI-KP (1 user)	ICSI Members
30,250**	eJurix Total (1 user) + ICSI-KP (1 user)	PCS and Sr. Members

\* eJurix is available for non ICSI members at Rs. 40,000 p.a

\*\* 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 )

#### eJurix Coverage 4,50,000 Judgments

Arbitration & Conciliation , Banking & Insurance, Corporate, Securities & Other Commercial Laws, Consumer Protection, Civil Procedure Code , Customs, Excise & Service Taxes, Criminal law ,Debt Recovery & Dis-honour of Cheques, Direct Taxes - Income-tax, Gift & Wealth Tax , Education, Academic Institutions & Universities, Election & Representation of People. Environment Protection ,Food Adulteration & Safety Standards, Intellectual Property Rights - Copyright, ,Trade Marks, Patents, etc, Labour, Employment & Service Laws , Land & Property & Other Areas of Law

#### ICSI – Knowledge Portal Coverage

Articles on Corporate Governance, Book Store On-line ,Chartered Secretary Articles, Conference Proceedings, CS Updates , Pilot Papers , Research Papers, Secretarial Standards, Souvenir Articles , Theme Papers , Students Section for your trainees

**Professional Law Library Reliable, Authentic and Always on!!**



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## COMPULSORY ATTENDANCE OF PROFESSIONAL DEVELOPMENT PROGRAMMES BY THE MEMBERS ATTENTION MEMBERS!

### Compulsory Attendance of Professional Development Programs by the Members

The Council of the Institute at its 200<sup>th</sup> Meeting held on March 18, 2011 at New Delhi amended the Guidelines for **Compulsory Attendance** of Professional Development Programmes by the Members to provide as under:

- |  |  |
|--|--|
| 1. Next block of three years   | April 01, 2011 to March 31, 2014   |
| 2. Min. number of Programme Credit Hours (PCH) to be acquired by <b>Members in Practice</b>  | 15 PCH in each year or 50 PCH in a block of three years w.e.f April 01, 2011 |
| 3. Min. number of PCH to be acquired by <b>Members in Employment</b> (i.e. members in whose name Form 32 has been filed to work as Company Secretary under the provisions of Sec. 383A of the Companies Act, 1956) | 10 PCH in each year or 35 PCH in a block of three years w.e.f April 01, 2011 |

To enable members to partially fulfill this requirement, **ICSI-CCGRT, Navi Mumbai** is pleased to announce  
Program on

**PCH - 4**

### COMPANY LAW UPDATES

**PDP - 8**

Day, Date & Timing  
Venue

Saturday, June 18, 2011

09.30am – 05.30pm

Coverage include

A/C Conference Hall of ICSI-CCGRT, Plot No. 101, Sector 15, Institutional Area, CBD Belapur, Navi Mumbai – 400 614

Speakers include

- Amendments to schedule VI
  - Board Meetings through video conferencing
  - Appointment of Directors
  - Appointment of Directors' Relatives to office of profit
  - Participation in General Meetings through video conferencing
  - Notice of Meetings through Electronic Mode
  - Revised procedure for appointment of Cost Auditor
- Eminent speakers with practical exposure to the subject will address the participants.

Participant Mix  
Fees

Company Secretaries, Chartered Accountants, Cost Accountants, Bank Officials other professionals, and students of various professional courses.

Fees

- ₹ 1500/- for Members of ICSI
  - ₹ 2000/-- for others
  - ₹ 1000/- for Students (if self sponsored)
- to cover the cost of program kit, lunch and other organizational expenses.

maybe drawn by way of D.D / local cheque payable at Mumbai in favour of "ICSI-CCGRT A/c" and sent to **Shri Gopal Chalam**, Dean, ICSI-CCGRT, Plot No. 101, Sector - 15, Institutional Area, CBD Belapur, Navi Mumbai – 400 614

☎ 022-27577814, 4102 1515, email : [ccgrrt@icsi.edu](mailto:ccgrrt@icsi.edu)

*\*Prior registration desirable*



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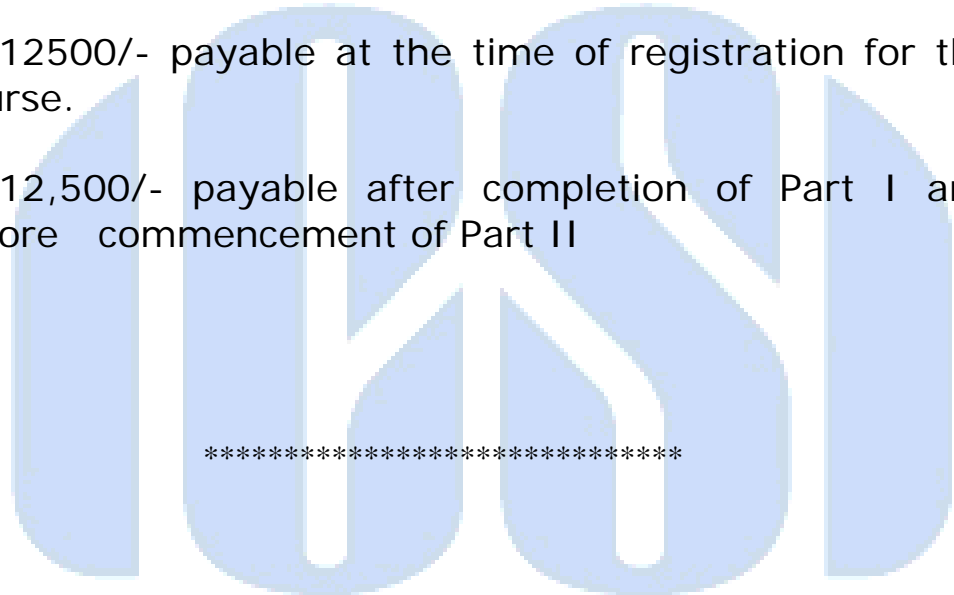
## **PMQ COURSE IN CORPORATE GOVERNANCE**

### **ENHANCEMENT OF FEES**

The Council at its 197<sup>th</sup> Meeting held on December 15, 2010 felt that honorarium be paid to the Guides for dissertation and project report under PMQ Course in Corporate Governance. With a view to meet the expense on honorarium to be paid to the Guide and to meet the increased costs, the Council has decided to enhance the **fee for PMQ Course in Corporate Governance with effect from January 1, 2011 to Rs.25,000/-** for the entire course payable as under :

Rs.12500/- payable at the time of registration for the course.

Rs.12,500/- payable after completion of Part I and before commencement of Part II



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## INSTITUTE'S RECENT PUBLICATIONS

- Business @ Governance & Sustainability
- Guidance Note on Board Processes
- Independent Directors-A research Study on Corporate Practice in India
- Corporate Social Responsibility –Research Study of Corporate Practice in India
- DNA of Integrity
- Role of Company Secretaries-A New Perspective
- A Guide to Company Secretary in Practice
- Guidance Note on Related Party Transactions
- Guidance Note on Listing of Corporate Debt
- Guidance Note on Corporate Governance Certificate
- Referencer on Secretarial Audit
- Referencer on Filling and Filing of E-Forms 23AC and 23ACA
- Establishment of Branch, Liaison & Project Offices in India
- Handbook on Mergers, Amalgamation and Takeover
- Guidance Note on Non-Financial Disclosure

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or

**Contact :** Shri Harish Chander Joshi,  
Admn. Officer(store),  
The Institute of Company Secretaries of India,  
C-37, Sector 62,  
Institutional Area,  
NOIDA (U.P.)

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## CG & CSR : WATCH

The Institute has always been in the frontline to promote good corporate governance and it has been the constant endeavour of the Institute to raise awareness among the members and students in Corporate Governance arena. In this direction, the Institute has decided to carry one page in Chartered Secretary each month exclusively dedicated to Corporate Governance and Corporate Social Responsibility.

### NEW DEVELOPMENTS

#### 1. FINANCIAL REPORTING COUNCIL (U.K)---CONSULTATION DOCUMENT: GENDER DIVERSITY ON BOARDS--- May 2011

Recognizing a notable absence of Women on the Boards of UK Listed Companies the Financial Reporting Council (FRC) in its 2010 revision to the UK Corporate Governance Code included for the first time, a reference to the benefits of diversity in general, with specific reference to gender. This led the Government in UK to commission Lord Davies to report on what government and business could do to increase the proportion of women on Boards.

Based on the Report of Lord Davies FRC issued a **Consultation Document : Gender Diversity on Boards.**

The FRC's specific issues with the low percentages of women directors are rooted in three concerns about board effectiveness:

- that a lack of diversity around the board table may weaken the board by encouraging "group think";
- that such low percentages of women on boards may demonstrate a failure to make full use of the talent pool; and
- that boards with no, or very limited, female membership may be weak in terms of connectivity with, or understanding of, customers and workforce and offer little encouragement to aspiration among female employees.

In this consultation document, the FRC is seeking views on:

- whether further changes to the UK Corporate Governance Code are needed in order to help achieve more diverse and more effective boards;
- if so, what these changes should be. The consultation document includes some draft revisions to the Code, on which comments are sought; and
- if changes are made to the Code, when these should come into effect.

**The consultation document can be accessed at:**

<http://www.frc.org.uk/images/uploaded/documents/>

#### 2. Global Reporting Initiative -- G4 Guidelines Developments

Global Reporting Initiative (GRI) is a network based organization that pioneers the world's most widely accepted sustainability reporting framework. About 50 Indian companies have brought out Sustainability Reports based on the GRI Framework. These Guidelines have evolved overtime from G1 in 2001 to G3.1 in 2010.



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The landscape of sustainability reporting is evolving; this influences the development of GRI's guidance. The development is influenced by changes in the reporting field, such as the introduction of new concepts, trends and tools, and requests by new players, more stakeholders asking for non-financial data.

In this evolving process GRI is working on the **G4 Sustainability Reporting Guidelines or the fourth generation of Guidelines.**

These guidelines are expected to address requirements for sustainability data, and enable reporters to provide relevant information to various stakeholder groups. It is also expected to improve on content in the current Guidelines – G3 and G3.1 – with strengthened technical definitions and improved clarity, helping reporters, information users and assurance providers. **G4 is planned to be published in 2013.**

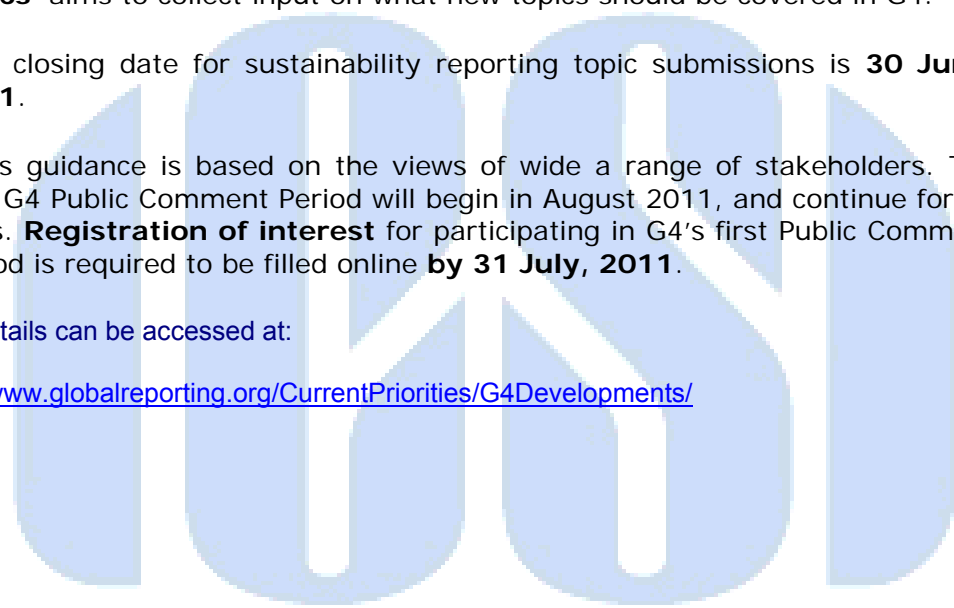
To start the process, GRI is asking its network and the public to give inputs in the first phase of development, to help shape the world's most widely used sustainability reporting framework. The '**Call for sustainability reporting topics**' aims to collect input on what new topics should be covered in G4.

The closing date for sustainability reporting topic submissions is **30 June, 2011.**

GRI's guidance is based on the views of wide a range of stakeholders. The first G4 Public Comment Period will begin in August 2011, and continue for 90 days. **Registration of interest** for participating in G4's first Public Comment Period is required to be filled online **by 31 July, 2011.**

The details can be accessed at:

<http://www.globalreporting.org/CurrentPriorities/G4Developments/>





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## GREEN CORNER

### GREEN IDEA

#### SAVE WATER SAVE LIFE

- Brushing your teeth with the tap running wastes almost 9 litres a minute.
- Dripping tap could waste as much as 90 litres a week.
- Implement water saving tools like water efficient faucets and shower heads for household purpose.



#### Something Good:

Prime minister of Japan Naoto Kan said that Japan is to abandon plans to expand its nuclear power industry and make renewable sources of energy a key part of its energy policy. Renewable energy which makes up 20% of overall supply would have a bigger role to play in meeting the country's energy needs. He further added that "it is necessary to move in the direction of promoting natural energy and renewable energy such as wind, solar and biomass."

#### To Remember:

June 5 - World Environment Day  
June 14 - World Blood Donor Day

## Quote of the Month

"To set aside one's prejudices, one's present needs, and one's own self interest in making a decision as a director for a company is an intellectual exercise that takes constant practice. In short, intellectual honesty is a journey and not a destination." - Mervyn King (Chairman: King Report)

## Feedback & Suggestions

Readers may give their feedback and suggestions on this page to Mrs. Alka Kapoor, Joint Director ICSI (alka.kapoor@icsi.edu)

#### Disclaimer:

The contents under **CG & CSR: Watch** have been collated from different sources. Readers are advised to cross check from original sources.

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# MCA UPDATE





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## COMPANIES (AMENDMENT) REGULATIONS, 2011

### MINISTRY OF CORPORATE AFFAIRS NOTIFICATION

New Delhi, 14th June 2011

G.S.R. (E).- In exercise of the powers conferred by sub-sections (1), (2), (5) and (8) of Section 25 and Sub-section (2) of Section 609 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following Regulations further to amend the Companies Regulations, 1956, namely: -

1. (1) These Regulations may be called the Companies (Amendment) Regulations, 2011.

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

2. In the Companies Regulations, 1956,

1. In Regulation 2, after clause I the following clause shall be substituted, namely: - "(d) " Regional Director" means the person appointed by the Central Government in the Ministry of Corporate Affairs as a Regional Director for the respective regions as under: -

1)	( 2)	(3)
(i) Regional Director	North Region Directorate Headquarter at Noida (Gautam Budh Nagar)	States of Haryana, Punjab, Himachal Pradesh, Uttar Pradesh, Uttarakhand, Jammu & Kashmir and Union Territory of Chandigarh, and National Capital Territory of Delhi.
(ii) Regional Director	North Western Region Directorate Headquarter at Ahmedabad	States of Rajasthan, Gujarat, Madhya Pradesh and Chattisgarh, and Union Territory of Dadra and Nagar Haveli.
(iii) Regional Director	Western Region Directorate Headquarter at Mumbai	States of Maharashtra, Goa and Union Territory of Daman and Diu.
(iv) Regional Director	Southern Region Directorate Headquarter at Chennai	States of Tamilnadu and Union Territory of Puducherry and Union Territory of Andaman and Nicobar.
(v) Regional Director	Eastern and North	States of West Bengal, Bihar,



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Directorate  
Headquarter

Eastern Region  
Jharkhand and Odisha,  
Meghalaya,  
Assam, Arunachal Pradesh,  
Nagaland,  
Mizoram, Manipur, and Tripura.

(vi)Regional Director

South East Region  
Directorate  
Headquarter at  
Hyderabad

States of Karnataka, Kerala,  
Andhra  
Pradesh and Union Territory of  
Lakshdweep.

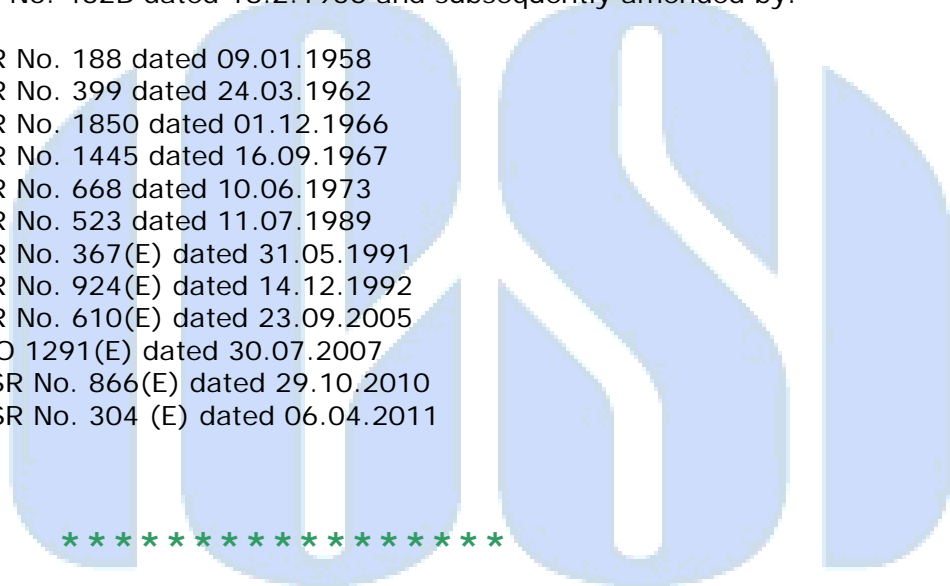
[ F.No. 5/18/2005- CL.V]

Avinash K Srivastava  
Joint Secretary to the Government of India

Foot Note: The Principal regulations were published in the Gazette of India vide S.R.O. No. 432B dated 18.2.1956 and subsequently amended by: -

1. GSR No. 188 dated 09.01.1958
2. GSR No. 399 dated 24.03.1962
3. GSR No. 1850 dated 01.12.1966
4. GSR No. 1445 dated 16.09.1967
5. GSR No. 668 dated 10.06.1973
6. GSR No. 523 dated 11.07.1989
7. GSR No. 367(E) dated 31.05.1991
8. GSR No. 924(E) dated 14.12.1992
9. GSR No. 610(E) dated 23.09.2005
10. S.O 1291(E) dated 30.07.2007
11. GSR No. 866(E) dated 29.10.2010
12. GSR No. 304 (E) dated 06.04.2011

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## **GUIDELINES FOR FAST TRACK EXIT MODE FOR DEFUNCT COMPANIES UNDER SECTION 560 OF THE COMPANIES ACT, 1956**

**General Circular No. 36/2011**

**F. No. 2/3/2011-CL V  
Government of India  
Ministry of Corporate Affairs**

5th Floor, 'A' Wing, Shastri Bhavan,  
Dr. R.P. Road, New Delhi  
Dated the 7th June, 2011

To

All Regional Director,  
All Registrar of Companies.

**Subject: Guidelines for Fast Track Exit mode for defunct companies under section 560 of the Companies Act, 1956**

Sir,

There are a number of companies, which are registered under the Companies Act, 1956, but due to various reasons they are inoperative since incorporation or commenced business but became inoperative or defunct later on. Such companies may be desirous of getting their names strike off from the Register of Companies maintained by Registrar of Companies.

2. As per section 560 of the Companies Act, 1956, Registrar of Companies may strike off the name of companies on satisfying the conditions therein. As per present practice, a company desirous of getting its name struck off, has to apply to Registrar of companies in e-form 61. All pending statutory returns are required to be filed along with e-form 61.

3. In order to give an opportunity for fast track exit by a defunct company, for getting its name struck off from the register of companies, the Ministry has decided to modify the existing route through e-form – 61 and has prescribed the new Guidelines. The Guidelines for "Fast Track Exit mode" for defunct companies under section 560 of the Companies Act, 1956 are enclosed herewith.

4. These Guidelines will be implemented w.e.f. 3rd July, 2011.

Yours faithfully,  
-Sd/-  
(Monika Gupta)  
Assistant Director

**FOR VIEW** **DETAIL:** [http://www.mca.gov.in/Ministry/pdf/Circular\\_36-2011\\_07jun2011.pdf](http://www.mca.gov.in/Ministry/pdf/Circular_36-2011_07jun2011.pdf)

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# CS Update

June 21, 2011



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## **GREEN INITIATIVES IN THE CORPORATE GOVERNANCE – CLARIFICATION REGARDING PARTICIPATION BY SHAREHOLDERS OR DIRECTORS IN MEETINGS UNDER THE COMPANIES ACT, 1956 THROUGH ELECTRONIC MODE.**

**General Circular No. 35/2011**

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: 06.06.2011

All the Regional Directors,  
All the Registrar of Companies/ Official Liquidators

**Subject: - Green Initiatives in the Corporate Governance – Clarification regarding participation by shareholders or Directors in meetings under the Companies Act, 1956 through electronic mode.**

Sir,

The Ministry has issued General Circulars No. 27/2011 and 28/2011 dated 20.05.2011 whereby it was clarified that a shareholder or a director of the company may participate in meetings under the provisions of the Companies Act, 1956 through electronic mode.

In order to have better understanding of the circular, it is further clarified as under: --

(i) It is not mandatory for companies to provide its directors, the facility to attend meetings through video conferencing.

(ii) In respect of shareholders meetings to be held during financial year 2011-12, video conferencing facility for shareholders is optional. Thereafter, it is mandatory for all listed companies.

(iii) Where the company opts to provide video conferencing facility, they have to comply with the procedures prescribed in the Circular no. 27/2011 & 28/2011 dated 20.05.2011 in this regard.

(iv) The company is free to select Video Conferencing facility of any agency but the chairman of the meeting and Secretary of the company has to ensure that there is a proper Video Conferencing equipment/facility which enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate effectively in the meeting.

(v) In the case of e-voting in general meetings, the Ministry of Corporate Affairs are presently authorizing only National Security Depository Ltd and Central Depository Services (India) Ltd as agencies for providing and supervising electronic platforms for electronic voting subject to the conditions that they obtain a certificate from Standardization Testing and Quality Certification (STQC) Directorate, Department of Information Technology, Ministry of Communication and IT, Government of India, New Delhi.

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

5<sup>th</sup> 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

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:-



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## 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 1<sup>st</sup> 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 30<sup>th</sup> September, 2011.

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## THE COMPANIES (COST ACCOUNTING RECORDS) RULES, 2011- NOTIFICATION

In exercise of the powers conferred by clause (b) of sub-section (1) of section 642 read with clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 (1 of 1956), and in supersession of the Cost Accounting Records Rules in so far as they relate to the Cost Accounting Records Rules published vide various preceding notifications, except as respects things done or omitted to be done before such supersession, the Central Government has notified The Companies (Cost Accounting Records) Rules, 2011 by notification G.S.R 429(E) June 3, 2011. They shall come into force on the date of their publication in the Official Gazette.

Further details can be accessed at: [http://www.mca.gov.in/Ministry/notification/pdf/Common\\_Record\\_Rules\\_03jun11.pdf](http://www.mca.gov.in/Ministry/notification/pdf/Common_Record_Rules_03jun11.pdf)





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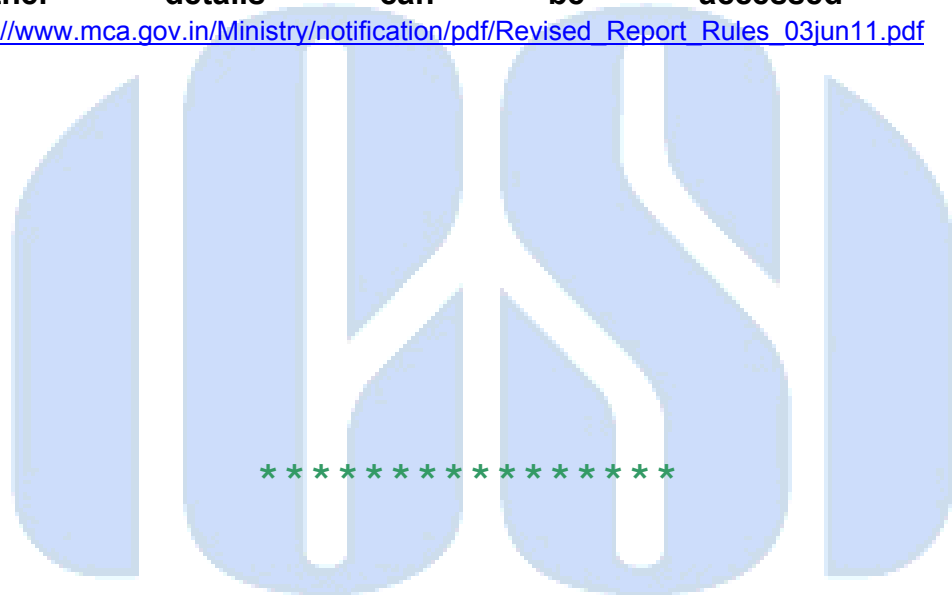
## THE COMPANIES (COST AUDIT REPORT) RULES, 2011-NOTIFICATION

In exercise of the powers conferred by clause (b) of sub-section (1) of section 642 read with sub-section (4) of section 233B, and sub-section (1) of section 227 of the Companies Act, 1956 (1 of 1956), and in supersession of the Cost Audit Report Rules, 2001, except as respects things done or omitted to be done before such supersession, the Central Government has notified The Companies (Cost Audit Report) Rules, 2011 by notification G.S.R 430(E) dated June 3, 2011. They shall come into force on the date of their publication in the Official Gazette.

Further details can be accessed at:  
[:http://www.mca.gov.in/Ministry/notification/pdf/Revised\\_Report\\_Rules\\_03jun11.pdf](http://www.mca.gov.in/Ministry/notification/pdf/Revised_Report_Rules_03jun11.pdf)



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## COMPANIES DIRECTOR IDENTIFICATION NUMBER (SECOND AMENDMENT) RULES, 2011-NOTIFICATION

In exercise of the powers conferred by clause (A) and (b) of sub-section (1) of section 642 read with sections 266A, 266B and 266E of the Companies Act, 1956 (1 of 1956), the Central Government has notified rules, further to amend the Companies (Director Identification Number) by a notification dated June 2, 2011. These rules may be called the Companies Director Identification Number (Second Amendment) Rules, 2011 and they shall come into force with effect from 12th June, 2011.

**Further details can be accessed at:**

[http://www.mca.gov.in/Ministry/notification/pdf/DIN\\_GSR\\_02jun2011.pdf](http://www.mca.gov.in/Ministry/notification/pdf/DIN_GSR_02jun2011.pdf)



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## SETTLEMENT OF PROSECUTIONS CASES

F.No.3/57/2011-CL.II  
Government of India  
Ministry of Corporate Affairs  
5th Floor, 'A' Wing, Shastri Bhavan,  
New Delhi-110001  
Dated 03.06.2011

To  
All Regional Directors,

Subject: Settlement of prosecutions cases – regarding

Sir,

While reviewing prosecution cases it was decided to review pending prosecution cases. Ministry of Corporate Affairs has decided following actions to be taken by RDs and ROCs immediately.

1. Lok Adalats should be organized on 9th, 16th, 23rd & 30th June by RDs in the offices of concerned ROCs within your jurisdiction between 10.00 AM to 1.00 P.M by giving an advance advertisement in the local Newspapers to this effect through DAVP. The chapters of ICSI, ICWAI, ICAI and Bar Council may be used for wide publicity and efforts should be made to dispose off compoundable offences there itself. In next month, two Lok Adalats will be held by each RD per month. These would be held on Saturdays.

2. The object of organizing Lok Adalats should be to ascertain the legal cases where the companies and their officers in default are inclined to get the offences compounded so that necessary applications may be moved by the companies for this purpose and on payment of compoundable fees, the prosecutions may be withdrawn.

3. The advertisement must contain invitation to:

i) Applicants of pending application for compounding within the jurisdiction of concerned ROC.

ii) Companies and their officers in default against whom cases have already been filed and are compoundable under the provisions of Sec. 621A of the Companies Act, 1956.

iii) Company's Director/Key Management Personnel who feels that a case has wrongly been filed against him and has requested to withdraw the case on his own or through authorized representative.

4. These cases should be cleared then and there by taking report from ROC & RD and if compoundable by the RD, the orders will be passed there itself. Cases for withdrawal shall be sent to MCA for approval.

5. All ROCs be advised to review pending prosecution cases with reference to circulars issued by the Ministry available at MCA Portal and to submit report with their recommendation through Regional Director.

6. All ROCs be advised to review prosecutions filed against nominee/independent directors so as to withdraw the cases where nominee/independent directors were not liable.



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7. All ROCs be advised to review all the prosecutions filed for nonfiling of statutory returns/reports u/s 159, 162, 220 of the Act where the companies/directors are not available/traceable and no public interest is involved in defaulting companies. For this purpose, public interest is presumed to be involved where the company is listed or public deposits have been accepted, debentures have been issued, or secured loans issued to banks or financial institutions.

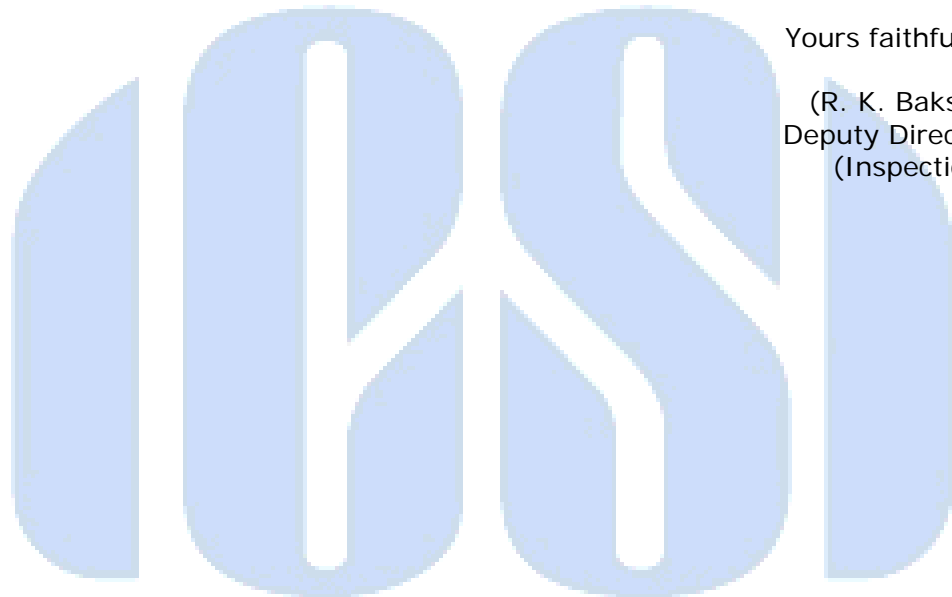
8. All ROCs be also advised to review the prosecutions against the companies which have applied for striking off their names under EES- 2010. After review of prosecutions cases, necessary report may be submitted by regional directors on monthly basis

9. Further, you are requested to confirm how many ROC offices under your jurisdiction had updated prosecution module and if any ROC has not yet updated the prosecution module, the same should be got done within next 3 working days and to submit a compliance report.

This issues with the approval of Secretary, MCA.

Yours faithfully,

(R. K. Bakshi)  
Deputy Director  
(Inspection)



\*\*\*\*\*





# CS Update

June 21, 2011



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## FILING OF BALANCE SHEET AND PROFIT AND LOSS ACCOUNT IN EXTENSIBLE BUSINESS REPORTING LANGUAGE (XBRL) MODE.

### General Circular 37/2011

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

5<sup>th</sup> 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](http://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.

(J.N. Tikku)

Joint Director

Tel 23381295

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



# CS Update

June 21, 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](http://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](http://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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June 21, 2011



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# RBI UPDATE





# CS Update

June 21, 2011



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## OPENING OF BRANCH/SUBSIDIARY/JOINT VENTURE/REPRESENTATIVE OFFICE OR UNDERTAKING INVESTMENT ABROAD BY NBFCs

RBI/2010-11/566  
DNBS (PD) CC.No. 222/03.10.001/2010-11

June 14, 2011

All NBFCs

Dear Sirs

### Opening of Branch/Subsidiary/Joint Venture/Representative Office or Undertaking Investment Abroad by NBFCs

Please refer to Regulation No. 7 of the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) (Amendment) Regulations, 2004, dated July 07, 2004, in terms of which an Indian party requires prior approval of the concerned regulatory authorities both in India and abroad, to make an investment in an entity outside India engaged in financial services activities. Further in terms of para B.5.3 of the Master Circular on Direct Investment in Joint Venture (JV) / Wholly owned subsidiary (WOS) abroad dated July 01, 2009 issued by Foreign Exchange Department, RBI, regulated entities in the financial sector making investments in any activity overseas are required to comply with the above regulation.

2. In this connection please also refer to the [circular DNBS \(PD\).CC. No. 173/03.10.01/2009-10 dated May 03, 2010](#) titled 'Overseas Investment by NBFCs- No Objection (NoC) from DNBS, RBI' issued to all NBFCs wherein it was advised that all NBFCs desirous of making any overseas investment must obtain 'No Objection' (NoC) of the Department of Non-Banking Supervision of Reserve Bank before making such investment, from the Regional Office of the Bank in whose jurisdiction the head office of the company is registered.

3. A NoC in this regard will be issued by Reserve Bank to a NBFC, subject to the NBFC fulfilling the conditions enumerated in the Directions issued in this regard by Reserve Bank in exercise of powers under Sections 45JA, 45K and 45L of the RBI Act, 1934 vide Notification No.DNBS(PD)229/CGM(US)/2011 dated June 14, 2011. The notification is [enclosed](#) for meticulous compliance.

Yours sincerely,

(Uma Subramaniam)  
Chief General Manager-in-Charge



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**RESERVE BANK OF INDIA  
DEPARTMENT OF NON-BANKING SUPERVISION  
CENTRAL OFFICE  
CENTRE I, WORLD TRADE CENTRE,  
CUFFE PARADE, COLABA,  
MUMBAI 400 005.**

**Notification No. DNBS.(PD)229 / CGM(US)-2011 dated June 14, 2011**

In exercise of the powers conferred by sections 45JA, 45K and 45L of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, Reserve Bank of India having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary so to do, gives to every NBFC the Directions hereinafter specified.

**Short title and commencement of the Directions**

(1) These Directions shall be known as the Non-Banking Financial Companies (Opening of Branch/Subsidiary/Joint Venture/ Representative Office or Undertaking Investment Abroad by NBFCs) Directions, 2011.

(2) These Directions shall come into force with immediate effect.

**Prior Approval of RBI in cases of Opening of branch/subsidiary/joint venture/representative office or undertaking investment abroad by NBFCs**

1. No NBFC shall open subsidiaries/joint ventures/representative office abroad or shall make investment in any foreign entities without obtaining prior approval in writing from the Reserve Bank of India. The application from the NBFC seeking No Objection would be considered subject to these directions.

2. These directions are in addition to those prescribed by Foreign Exchange Department for opening of branches abroad or for investments in Joint Venture/Wholly Owned Subsidiary.

3. The following general and specific conditions are prescribed for permitting subsidiaries/joint ventures/representative office or making investments abroad by a NBFC (both deposit taking and non-deposit taking) registered with RBI.

**3.1 General conditions**

- a. Investment in non-financial service sectors shall not be permitted.
- b. Direct investment in activities prohibited under FEMA or in sectoral funds will not be permitted.
- c. Investments will be permitted only in those entities having their core activity regulated by a financial sector regulator in the host jurisdiction.
- d. The aggregate overseas investment should not exceed 100% of the NoF. The overseas investment in a single entity, including its step down



# CS Update

June 21, 2011



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subsidiaries, by way of equity or fund based commitment shall not be more than 15% of the NBFC's owned funds.

e. Overseas investment should not involve multi layered, cross jurisdictional structures and at most only a single intermediate holding entity shall be permitted.

f. (i) The CRAR of the deposit taking NBFCs, post investment in subsidiary abroad, should be not less than that applicable to deposit taking NBFCs in terms of Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms(Reserve Bank) Directions, 2007, as amended from time to time;

(ii) The CRAR of the NBFC-ND-SI, post investment in subsidiary abroad, should be not less than that applicable to them in terms of Non-Banking Financial (Non- Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time;

(iii) The CRAR of the non-deposit taking NBFCs (other than NBFC-ND-SI), post investment in subsidiary abroad, should not be less than 10%, or as modified from time to time;

g. The NBFC should continue to maintain required level of NOF after accounting for investment in the proposed subsidiary/investment abroad as prescribed in the explanation to Section 45-IA of the RBI Act, 1934.

h. The level of Net Non-Performing Assets of the NBFC should not be more than 5% of the net advances;

i. The NBFC should be earning profit for the last three years and its performance in general should be satisfactory during the period of its existence.

j. The NBFC shall comply with the regulations issued under FEMA, 1999 from time to time;

k. Regulatory compliance and servicing of public deposits, if held by the NBFC, should be satisfactory

l. The NBFC shall comply with the KYC norms;

m. SPVs set up abroad or acquisition abroad shall be treated as investment or subsidiary/joint venture abroad, depending upon percentage of investment in overseas entity;

n. An annual certificate from statutory auditors shall be submitted by the NBFC to the Regional Office of Department of Non-Banking Supervision (DNBS) where it is registered, certifying that it has fully complied with all the conditions stipulated under these Guidelines for overseas investment;

o. A quarterly return in the [enclosed](#) format shall be submitted by the NBFC to the Regional Office of DNBS and also Department of Statistics and Information Management (DSIM)

p. If any adverse features come to the notice of the Bank, the permission granted shall be withdrawn. All approvals for investment abroad shall be subject to this condition.

### 3.2 Specific conditions.

#### (A) Opening of Branch

As a general policy, NBFCs shall not be allowed to open a branch abroad. However Non-banking financial companies which have already set up branch(es) abroad for undertaking financial business shall be allowed to continue to operate them subject to complying with the revised guidelines, as applicable.

#### (B) Opening of subsidiary abroad by NBFCs



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In case of opening of a subsidiary abroad by the NBFCs, all the conditions as stipulated above shall be applicable. The NoC to be issued by the Bank is independent of the overseas regulators' approval process. In addition, the following stipulations are made, which shall be applicable to all NBFCs:

- a. In case of opening of subsidiary abroad, the parent NBFC shall not be permitted to extend implicit or explicit guarantee to or on behalf of such subsidiaries;
- b. No request for letter of comfort in favour of the subsidiary abroad from any institution in India shall be permitted;
- c. It shall be ensured that NBFC's liability in the proposed overseas entity is restricted to its either equity or fund based commitment to the subsidiary;

The subsidiary being established abroad should not be a shell company i.e "a company that is incorporated, but has no significant assets or operations."

- d. However companies undertaking activities such as financial consultancy and advisory services with no significant assets shall not be considered as shell companies;
- e. The subsidiary being established abroad by the NBFC should not be used as a vehicle for raising resources for creating assets in India for the Indian operations;
- f. In order to ensure compliance of the provisions, the parent NBFC shall obtain periodical reports/audit reports about the business undertaken by the subsidiary abroad and shall make them available to Reserve Bank and inspecting officials of the Bank;
- g. If the subsidiary has not undertaken any activity or such reports are not forthcoming, the approvals given for setting up a subsidiary abroad shall be reviewed/ recalled;
- h. The permission granted to any NBFC for setting up of overseas subsidiary shall be subject to condition that the subsidiary shall make disclosure in its Balance Sheet to the effect that liability of the parent entity in the proposed overseas entity shall be limited to its either equity or fund based commitment to the subsidiary;
- i. All the operations of the subsidiary abroad shall be subject to regulatory prescriptions of the host country.

## (C) Joint Ventures abroad

Investments abroad, other than in subsidiaries also shall be governed by same guidelines as those applicable to subsidiaries.

## (D) Opening of representative offices abroad by NBFCs

The representative office can be set up abroad for the purpose of liaison work, undertaking market study and research but not undertaking any activity which involves outlay of funds, provided it is subject to regulation by a regulator in the host country. As it is not envisaged that such office would be carrying on any activity other than liaison work, no line of credit should be extended.

The parent NBFC shall obtain periodical reports about the business undertaken by the representative office abroad. If the representative office has not undertaken any activity or such reports are not forthcoming, the approvals given for the purpose shall be reviewed/ recalled.



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4. The Policy will be reviewed based on experience gained.

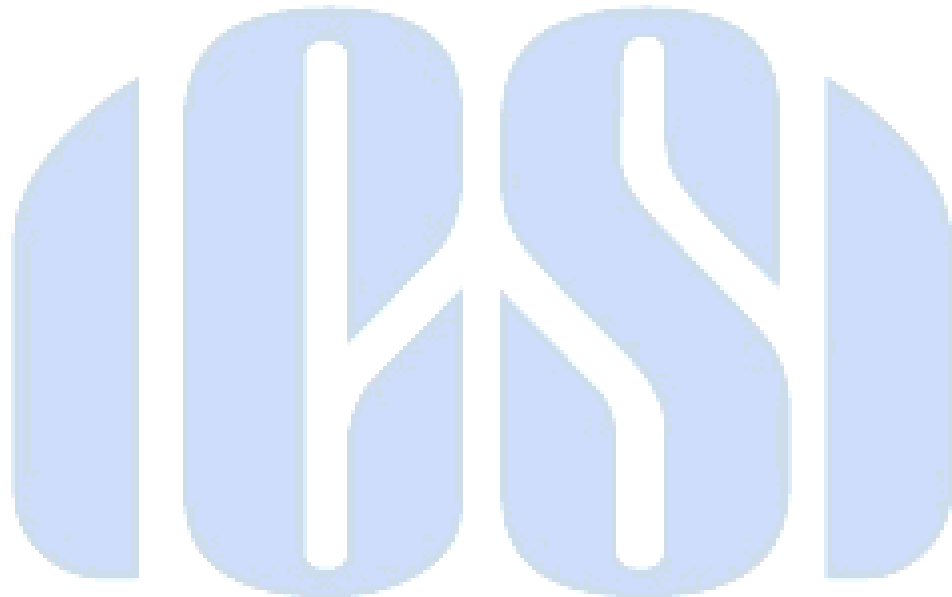
5. Violation of these directions shall invite penal action under the provisions of Reserve Bank of India Act, 1934.

(Uma Subramaniam)  
Chief General Manager-in-Charge

For details:

<http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6460&Mode=0>

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## MID-QUARTER MONETARY POLICY REVIEW: JUNE 2011

### Monetary Measures

On the basis of the current macroeconomic assessment, it has been decided to:

- increase the repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 7.25 per cent to 7.5 per cent with immediate effect.

Consequent to the above increase in the repo rate, the reverse repo rate under the LAF will stand automatically adjusted to 6.5 per cent and the marginal standing facility (MSF) rate to 8.5 per cent with immediate effect.

### Introduction

Since the Reserve Bank' Annual Policy Statement of May 3, the global environment has changed for the worse, while domestic conditions are broadly consistent with the Statement's projections. Growth expectations in advanced economies are visibly moderating, even as inflationary pressures, primarily from commodity prices, have increased. The capacity for conventional policy responses appears limited, with many countries having already committed to fiscal consolidation amidst growing sovereign debt risks. From our monetary policy perspective, global commodity prices still remain the key external risk though some signs of moderation are becoming visible.

Domestically, inflation persists at uncomfortable levels. Moreover, the headline numbers understate the pressures because fuel prices have yet to reflect global crude oil prices. On the growth front, even as signs of moderation are visible in some sectors, broad indicators of activity – 2010-11 fourth quarter profit growth and margins and credit growth do not suggest a sharp or broad-based deceleration.

Going forward, notwithstanding both signs of moderation in commodity prices and some deceleration in growth, domestic inflation risks remain high. Against this backdrop, the monetary policy stance remains firmly anti-inflationary, recognising that, in the current circumstances, some short-run deceleration in growth may be unavoidable in bringing inflation under control.

### Global Economy

The global economy weakened in Q2 of 2011. Lead indicators suggest that growth moderated in both advanced economies and emerging market economies (EMEs) under the impact of high oil and other commodity prices, the spillover from the Japanese natural disasters and monetary tightening in EMEs to contain inflationary pressures. Uncertainty about the resolution of the sovereign debt problem in the euro area has increased. These developments increase downside risks to global growth prospects.

International commodity and oil prices showed signs of moderation on weak economic data and unwinding of financial positions. However, on a year-on-year (y-o-y) basis, commodity price inflation is still high. Consequently, headline inflation rose in major advanced economies despite negative output



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gaps. As inflation in EMEs remained elevated due both to high commodity prices and strong domestic demand, **Global Economy**

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International commodity and oil prices showed signs of moderation on weak economic data and unwinding of financial positions. However, on a year-on-year (y-o-y) basis, commodity price inflation is still high. Consequently, headline inflation rose in major advanced economies despite negative output gaps. As inflation in EMEs remained elevated due both to high commodity prices and strong domestic demand,

## **Domestic Economy**

### *Growth*

GDP growth decelerated to 7.8 per cent in Q4 of 2010-11 from 8.3 per cent in the previous quarter and 9.4 per cent in the corresponding quarter a year ago. For the year as a whole, GDP growth in 2010-11 was 8.5 per cent. While private consumption was robust, investment activity moderated in Q4 of 2010-11. The Central Statistical Organisation (CSO) released the new series of industrial production with 2004-05 as the base. The new series represents a better coverage of the industrial structure in the country. The trend in industrial production as revealed by the new series is significantly different from that indicated by the old series (base: 1993-94). While the old series suggested a sharp deceleration from 10.4 per cent in the first half of 2010-11 to 5.5 per cent in the second half, the new series suggested broadly the same growth of a little over 8 per cent in both halves of the year. While the y-o-y IIP growth moderated to 6.3 per cent in April 2011, growth in capital goods production at 14.5 per cent was buoyant. During April-May 2011, both exports and imports increased sharply and the trade deficit widened. The progress of south west monsoon 2011 has so far been satisfactory, which augurs well for agricultural production.

Overall, even as there is deceleration in some important sectors, notably interest-sensitive ones such as automobiles, there is no evidence of any sharp or broad-based slowdown. Corporate earnings growth and profit margins in the fourth quarter of 2010-11 were broadly in line with the performance over the past three quarters, suggesting that demand remained steady, and in the face of sharp increases in input costs, pricing power remained intact. Credit grew steadily (see below), while the composite Purchasing Managers' Index (PMI) for May 2011 suggests reasonably good conditions.

### *Inflation*

The headline WPI inflation rate was 9.7 per cent in March 2011. In April 2011, it was 8.7 per cent and rose to 9.1 per cent in May 2011. The numbers for April and May 2011 are as yet provisional and, given the recent pattern, these



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numbers are likely to be revised upwards. Thus, the headline WPI inflation rate remains elevated, consistent with the projections made in the Annual Policy Statement of May 3. The main drivers of WPI inflation in April-May 2011 were non-food primary articles, fuel group and non-food manufactured products. The consumer price inflation for industrial workers (CPI - IW) rose from 8.8 per cent in March 2011 to 9.4 per cent in April 2011.

Non-food manufactured products inflation was 8.5 per cent in March 2011. Provisional data indicate that it increased from 6.3 per cent in April to 7.3 per cent in May 2011, numbers much above its medium-term trend of 4.0 per cent. This pattern in non-food manufactured products inflation is a matter of particular concern. Besides reflecting high commodity prices, it also suggests more generalised inflationary pressures; rising wages and costs of service inputs are apparently being passed on by producers along the entire supply chain.

### *Credit Conditions*

Year-on-year non-food credit growth moderated from 21.3 per cent in March 2011 to 20.6 per cent in early June 2011, but remained above the indicative projection of 19 per cent. The y-o-y deposit growth increased to 18.2 per cent in early June 2011 from 17.0 per cent in March 2011. Consequently, the incremental non-food credit-deposit ratio moderated to 80.5 per cent (y-o-y) in early June 2011 from 95.3 per cent in March 2011. The y-o-y increase in money supply ( $M_3$ ) was at 17.3 per cent in early June 2011 as compared with 16.0 per cent in March 2011.

Monetary transmission has been quite strong with 45 scheduled commercial banks raising their Base Rates by 25-100 basis points after the May 3 Policy Statement. Cumulatively, 47 banks raised their Base Rates by 150-300 basis points during July 2010-May 2011. The higher cost of credit is restraining credit growth, but it still remains fairly high, suggesting that economic activity is holding course.

### *Liquidity Conditions*

During the current fiscal year so far, liquidity conditions have remained consistent with the anti-inflationary stance of monetary policy. The Government's cash balances moved from a surplus of ₹ 89,000 crore on an average during Q4 of 2010-11 to a deficit of ₹ 29,000 crore during Q1 of 2011-12 (up to June 15, 2011). Consequently, net injection of liquidity through LAF repos declined from an average of ₹ 84,000 crore during Q4 of 2010-11 to ₹ 41,000 crore in 2011-12 (up to June 15, 2011). The net liquidity injection by the Reserve Bank was higher at ₹ 60,000 crore as on June 15, 2011. As articulated in the May 3 Policy Statement, the Reserve Bank will continue to maintain liquidity conditions such that neither surplus liquidity dilutes the monetary policy stance nor large deficit chokes off fund flows to productive sectors of the economy.

### *Summing Up*

To sum up, the domestic growth outlook as indicated in the Annual Monetary Statement of May 3 remains unchanged. However, given the high degree of integration with the global economy, recent global macroeconomic developments pose some risks to domestic growth. Domestic inflation remains high and much above the comfort zone of the Reserve Bank. Particularly, non-



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food manufactured products inflation rose in May 2011 after showing some moderation in April 2011. Domestic fuel prices do not yet reflect the current trends of global prices. Although global commodity prices moderated in recent weeks, it is too early to downgrade this as a risk factor. Monetary transmission has strengthened. The impact of the Reserve Bank's recent monetary policy actions is still unfolding. The challenge of containing inflation and anchoring inflation expectations persists. Thus, while the Reserve Bank needs to continue with its anti-inflationary stance, the extent of policy action needs to balance the adverse movements in inflation with recent global developments and their likely impact on the domestic growth trajectory.

### Expected Outcomes

The policy action in this Review is expected to:

- contain inflation and anchor inflationary expectations by reining in demand side pressures; and
- mitigate the risk to growth from potentially adverse global developments.

### Guidance

Based on the current and evolving growth and inflation scenario, the Reserve Bank will need to persist with its anti-inflationary stance of monetary policy.

**Alpana Killawala**  
Chief General Manager

Press Release : 2010-2011/1824



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## REPORTING OF OFFSHORE DERIVATIVE INSTRUMENTS (ODIS)/ PARTICIPATORY NOTES (PNS)

### CIRCULAR

CIR/IMD/FII&C/7/2011

June 15, 2011

To

All Foreign Institutional Investors (FIIs) through their designated Custodians of Securities (Custodians)

Dear Sir/Madam,

**Sub: Reporting of Offshore Derivative Instruments (ODIs)/ Participatory Notes(PNs) activity**

1. Please refer to SEBI Circular No. CIR/IMD/FIIC/1/2011 dated January 17, 2011 and SEBI Circular No. CIR/IMD/FIIC/6/2011 dated May 12, 2011 on the captioned subject wherein the implementation date of the new reporting format was deferred in view of clarifications sought with regard to the said format.

2. The consultation process, in this regard, has been concluded on June 03, 2011 and the following clarifications are being provided herewith:-

a. If an ODI (e.g. on MSCI India Index) is hedged with multiple types of Indian securities and left partly unhedged, it may be split in separate rows with each row for each Indian security and a blank column for the unhedged portion. The outstanding value of ODIs shall be summation of all such rows.

b. The current methodology of reporting F&O positions will be continued. The outstanding value of ODIs shall continue to be represented in notional terms.

c. The ODI issuers shall link hedges to the extent that such a link can be made.

d. The FIIs shall work out the linkages for all outstanding ODI positions as on September 30, 2011. This report shall be uploaded to SEBI by the entities in March 2012 along with the upload of the first six months' lag transaction reports.

e. The column 'Location of end beneficial owner of the Offshore Derivative Instrument' in Annexure A shall state the country of the end beneficial owner.

f. It is to be clarified with reference to Para 5 of the SEBI circular dated January 17, 2011, as regards FII to FII ODI/PN activity, the reporting/ issuer FII shall provide the SEBI Registration No. of the subscriber FII in addition to the name of the FII.

3. As per circular dated May 12, 2011 the date of implementation of the new reporting format was made effective for month of July 2011 report to be submitted by August 07, 2011. During the consultation process, it was represented that system changes for incorporating the clarifications would require further time than that already provided in circular dated May 12, 2011.



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4. In view of the above, it has been decided to grant further time for implementation of the reports and that the first monthly summary report shall be submitted for the month of September, 2011 before 7th October, 2011.

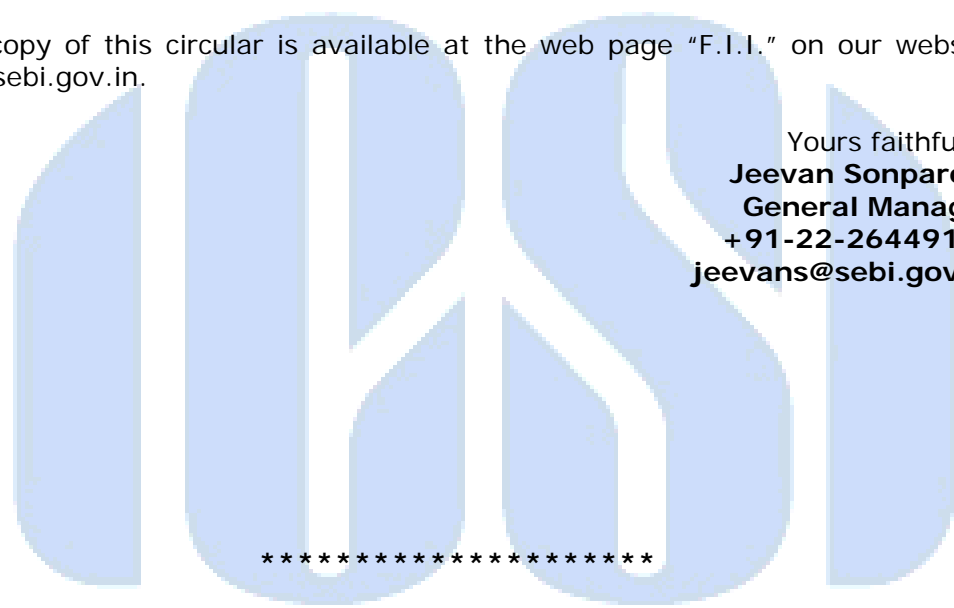
5. The first such transaction-wise details in Annexures shall be submitted in March 2012 along with the outstanding positions as on September 30, 2011 and thereafter with such six months' lag.

6. Till such time the new reporting format is implemented, the FIIs shall continue to file the reports in the existing format.

7. The custodians are requested to bring the contents of this circular to the notice of their FII clients.

8. This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act 1992, read with Regulation 20 and 20A of the SEBI (Foreign Institutional Investors) Regulations, 1995 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

9. A copy of this circular is available at the web page "F.I.I." on our website [www.sebi.gov.in](http://www.sebi.gov.in).



Yours faithfully,  
**Jeevan Sonparote**  
General Manager  
+91-22-26449110  
[jeevans@sebi.gov.in](mailto:jeevans@sebi.gov.in)

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## STANDARDISATION OF RATING SYMBOLS AND DEFINITIONS

### CIRCULAR

CIR/MIRSD/4/2011

June 15, 2011

### All Credit Rating Agencies Registered with SEBI

Dear Sirs,

#### Sub: Standardisation of Rating Symbols and Definitions

1. It has been observed that the Credit Rating Agencies (CRAs) registered with SEBI use different rating symbols and definitions.
2. It has been felt that there need to be common rating symbols and definitions
  - (i) for easy understanding of the rating symbols and their meanings by the investors, and
  - (ii) to achieve high standards of integrity and fairness in ratings.
3. The issue was discussed in the meeting of Corporate Bonds and Securitization Advisory Committee of SEBI. The Committee recommended that the rating symbols and their definitions should be standardized.
4. Pursuant to the above, in consultation with the CRAs and considering the international practices, standardised symbols and their definitions have been devised for the following:
  - a) Long term debt instruments;
  - b) Short term debt instruments;
  - c) Long term structured finance instruments;
  - d) Short term structured finance instruments;
  - e) Long term mutual fund schemes; and
  - f) Short term mutual fund schemes.
5. The new symbols and definitions as given in Annexures 1-6 shall henceforth be used for the new ratings/ reviews by the CRAs.
6. For existing outstanding ratings, the CRAs shall:
  - (i) disclose new rating symbols and definitions on their websites;
  - (ii) update their rating lists on their websites; and
  - (iii) inform their clients about the change in the rating symbols and definitions and specifying that this should not be construed as a change in the ratings.
7. The CRAs shall ensure compliance with the requirements specified at Clause 6 above, as early as possible but not later than 4 months from the date of issuance of this circular.



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8. The CRAs shall communicate to SEBI, the status of the implementation of the provisions of this circular by October 31, 2011. They shall also place the compliance status of this circular before their Boards.

9. This circular is issued in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 read with the provisions of regulations 13, 18 and 20 of SEBI (Credit Rating Agencies) Regulations, 1999 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

**Prasanta Mahapatra**  
Deputy General Manager  
Tel. No: 022-26449313

Email id : [prasantam@sebi.gov.in](mailto:prasantam@sebi.gov.in)

Encl: as above

## ANNEXURE 1

**1. Rating Symbols and Definitions for Long Term Debt Instruments**  
*Long term debt instruments: The instruments with original maturity exceeding one year* Rating symbols should have CRA's first name as prefix

**AAA** - Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

**AA** - Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

**A** - Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low risk.

**BBB** - Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

**BB** - Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.

**B** - Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.

**C** - Instruments with this rating are considered to have very high risk of default regarding timely servicing of financial obligations.

**D** - Instruments with this rating are in default or are expected to be in default soon.

**Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA to C. The modifiers reflect the comparative standing within the category.**



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## ANNEXURE 2

**II. Rating Symbols and Definitions for Short Term Debt instruments**  
*Short term debt instruments: The instruments with original maturity of upto one year* Rating symbols should have CRA's first name as prefix

**A1** – Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

**A2** - Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk.

**A3** - Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligations. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.

**A4**- Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligations. Such instruments carry very high credit risk and are susceptible to default.

**D** - Instruments with this rating are in default or expected to be in default on maturity.

**Modifier {"+" (plus)}** can be used with the rating symbols for the categories A1 to A4. The modifier reflects the comparative standing within the category.

## ANNEXURE 3

**III. Rating Symbols and Definitions for Long Term Structured Finance Instruments**  
*Long term structured finance instruments: The instruments with original maturity exceeding one year* Rating symbols should have CRA's first name as prefix

**(SO)** - Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

**AA (SO)** - Instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

**A (SO)** - Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

**BBB (SO)** - Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

**BB(SO)** - Instruments with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations.



# CS Update

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**B(SO)** - Instruments with this rating are considered to have high risk of default regarding timely servicing of financial obligations.

**C (SO)** - Instruments with this rating are considered to have very high likelihood of default regarding timely payment of financial obligations.

**D (SO)** - Instruments with this rating are in default or are expected to be in default soon.

*Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AA(SO) to C(SO). The modifiers reflect the comparative standing within the category.*

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## ANNEXURE 4

**IV. Rating Symbols and Definitions for Short Term Structured Finance Instruments** *Short term structured finance instruments: The instruments with original maturity of upto one year* Rating symbols should have CRA's first name as prefix

**A1 (SO)** – Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligation. Such instruments carry lowest credit risk.

**A2 (SO)** - Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligation. Such instruments carry low credit risk.

**A3 (SO)** - Instruments with this rating are considered to have moderate degree of safety regarding timely payment of financial obligation. Such instruments carry higher credit risk as compared to instruments rated in the two higher categories.

**A4 (SO)** - Instruments with this rating are considered to have minimal degree of safety regarding timely payment of financial obligation. Such instruments carry very high credit risk and are susceptible to default.

**D (SO)** - Instruments with this rating are in default or expected to be in default on maturity.

*Modifier {"+" (plus)} can be used with the rating symbols for the categories A1(SO) to A4(SO). The modifier reflects the comparative standing within the category.*

## ANNEXURE 5

**V. Rating Symbols and Definitions for Long Term Debt Mutual Fund Schemes** *Long term debt mutual fund schemes: The debt mutual fund schemes that have an original maturity exceeding one year.* Rating symbols should have CRA's first name as prefix

**AAAmfs** – Schemes with this rating are considered to have the highest degree of safety regarding timely receipt of payments from the investments that they have made.



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**AAmfs** – Schemes with this rating are considered to have the high degree of safety regarding timely receipt of payments from the investments that they have made.

**Amfs** – Schemes with this rating are considered to have the adequate degree of safety regarding timely receipt of payments from the investments that they have made.

**BBBmfs** - Schemes with this rating are considered to have the moderate degree of safety regarding timely receipt of payments from the investments that they have made.

**BBmfs** - Schemes with this rating are considered to have moderate risk of default regarding timely receipt of payments from the investments that they have made.

**Bmfs** - Schemes with this rating are considered to have high risk of default regarding timely receipt of payments from the investments that they have made.

**Cmfs** - Schemes with this rating are considered to have very high risk of default regarding timely receipt of payments from the investments that they have made.

*Modifiers {"+" (plus) / "-"(minus)} can be used with the rating symbols for the categories AAmfs to Cmfs. The modifiers reflect the comparative standing within the category.*

## ANNEXURE 6

**VI Rating Symbols and Definitions for Short Term Debt Mutual Fund Schemes** Short term debt mutual fund schemes: The debt mutual fund schemes that have an original maturity of upto one year. Rating symbols should have CRA's first name as prefix

**A1mfs** - Schemes with this rating are considered to have very strong degree of safety regarding timely receipt of payments from the investments that they have made.

**A2mfs** - Schemes with this rating are considered to have strong degree of safety regarding timely receipt of payments from the investments that they have made.

**A3mfs** - Schemes with this rating are considered to have moderate degree of safety regarding timely receipt of payments from the investments that they have made.

**A4mfs** - Schemes with this rating are considered to have minimal degree of safety regarding timely receipt of payments from the investments that they have made.

*Modifier {"+" (plus)} can be used with the rating symbols for the categories A1mfs to A4mfs. The modifier reflects the comparative standing within the category.*

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## CHANGE OF NAME BY LISTED COMPANIES

CIR/MRD/DP/ 07 /2011

June 16, 2011

To,

All Stock Exchanges

Dear Sir/Madam,

### **Sub: Change of Name by Listed Companies**

1. Please refer to SEBI Circulars No. SMDRP/Policy/Cir-8/99 dated April 26, 1999 and No. SEBI/MRD/Policy/AT/Cir-20/2004 dated April 30, 2004 on the captioned subject matter.

2. The aforementioned SEBI circular dated April 30, 2004 required all listed companies seeking change of name to comply inter alia with the following provision:

2.2. At least 50% of its total revenue in the preceding 1 year period should have been accounted for by the new activity suggested by the new name.

3. It is observed from the representations received from few companies and feedback received from the Stock Exchanges that the companies, where the gestation period of the business is usually longer and the revenue stream often delayed, find it difficult to comply with the aforesaid provision.

4. In view of the above, it is decided to modify the para 2.2 of the aforementioned circular as under:

2.2. At least 50% of its total revenue in the preceding 1 year period should have been accounted for by the new activity suggested by the new name

Or

The amount invested in the new activity/project (Fixed Assets + Advances + Works In Progress) is atleast 50% of the assets of the company. The 'Advances' shall include only those extended to contractors and suppliers towards execution of project, specific to new activity as reflected in the new name. To confirm the compliance of the aforesaid provision 2.2, the company shall submit auditor's certificate to the exchange.

5. All the Stock Exchanges are advised to:-

5.1. implement the above by making necessary amendments to the bye-laws and Listing Agreement, as applicable;

5.2. to bring the provisions of this circular to the notice of the listed companies and member brokers/ clearing members and also to put up the same on the website for easy access to the investors; and

5.3. communicate to SEBI the status of the implementation of the provisions of this circular and the action taken in this regard in the Monthly Development Report.



# CS Update

June 21, 2011



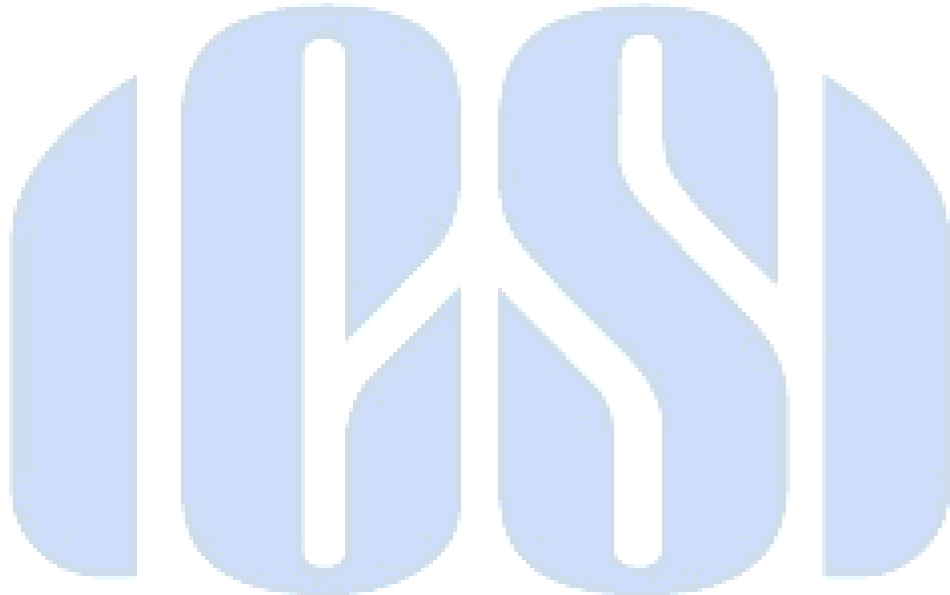
6. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in).

Yours faithfully,  
**Harini Balaji**  
Deputy General Manager  
022-26449372  
[harinib@sebi.gov.in](mailto:harinib@sebi.gov.in)

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## MODIFICATION TO INVESTOR PROTECTION FUND (IPF)/ CUSTOMER PROTECTION FUND (CPF) GUIDELINES

**CIRCULAR**

CIR/MRD/DP/ 06 /2011

June 16, 2011

To,

Stock Exchanges

Dear Sir / Madam,

**Sub: Modification to Investor Protection Fund (IPF)/ Customer Protection Fund (CPF) Guidelines**

1. SEBI vide circular no MRD/DoP/SE/Cir-38/2004 dated October 28, 2004 had issued comprehensive guidelines for regulation of Investor Protection Fund (IPF)/ Customer Protection Fund (CPF) required to be maintained by Stock Exchanges. Further vide circular No. MRD/DoP/SE/Cir-21/2006 dated December 14, 2006, SEBI issued a clarification to Clause 24 of the Annexure to Circular dated October 28, 2004, specifying that in case of defaulting brokers with multiple memberships, the residual amount after satisfying claims of SEBI, the concerned stock exchange, and all other exchanges, would be credited to the IPF/CPF of the concerned exchange.

The Circular dated October 28, 2004 as clarified by Circular dated December 14, 2006 shall hereinafter be referred to as the "Comprehensive Guidelines on IPF/CPF of Stock Exchanges" or "The Comprehensive Guidelines".

2. Exemptions have been sought by Stock Exchanges from strict compliance with Clause 24 of the Annexure to Circular dated October 28, 2004 on the ground that the residual amount remaining after satisfaction of claims against the defaulting broker should be refunded to the broker and not credited to the IPF/CPF. SEBI has decided to modify certain clauses of the abovementioned Annexure, with a view to harmonise the practices followed by various exchanges to meet investor claims.

3. Thus it has been decided to modify the Comprehensive Guidelines -

a) Clause 8 shall be substituted with the following -

8."The specified period for inviting legitimate claims against a defaulter member, shall be a minimum of ninety days."

b) Clause 13 shall be substituted with the following -

13."If any eligible claims arise within three years from the date of expiry of the specified period such claims shall be borne by the stock exchanges without any recourse to the IPF/CPF.

**Provided that** any claims received after three years from the date of expiry of the specified period may be dealt with as a civil dispute.



# CS Update

June 21, 2011



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**Provided further that** in cases where any litigations are pending against the defaulter member, the residual amount, if any, may be retained by the stock exchange until such litigations are concluded."

### Disbursement of Claims from the IPF/ CPF

c) Clause 22 shall be deleted.

d) Clause 23 shall be substituted with the following -

23. "The compensation shall be disbursed to the investor from the IPF/ CPF incase there is a shortage of defaulter broker's assets after its realization."

e) Clause 24, as it reads after incorporation of clarification vide Circular dated December 14, 2006, shall be substituted with the following -

24."The Stock Exchange shall ensure that the amount realized from the assets of the defaulter member is returned to the defaulter member after satisfying the claims of the Stock Exchange and SEBI in accordance with the bye-laws of the Stock Exchange.

**Provided that** in case of a member broker having membership on multiple stock exchanges, amount realized from the assets of the defaulter member shall be returned to the said member only after satisfying eligible claims of the concerned stock exchange, SEBI, and other stock exchanges."

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 the status of the implementation of this Circular in the Monthly Development Report to SEBI.

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](mailto:harinib@sebi.gov.in)

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PR No.87/2011

## DISCUSSION PAPER ON CONTINUING PROFESSIONAL EDUCATION

With a view to improving the quality of intermediation services in the securities market and in accordance with the provisions of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007, SEBI has prepared a discussion paper on Continuing Professional Education (CPE), specifying the procedure and specifications of CPE.

The [discussion paper](#) is available for public comments on SEBI's website [www.sebi.gov.in](http://www.sebi.gov.in) under the heading "Reports for Public Comments".

The comments / suggestions on this paper may be mailed at [cpenism@sebi.gov.in](mailto:cpenism@sebi.gov.in) or to the following address, latest by June 30, 2011:

Chief General Manager

Market Intermediaries Regulation and Supervision Department

Securities and Exchange Board of India, SEBI Bhavan

C-4A, G-Block, Bandra Kurla Complex,

Mumbai- 400 051.

Mumbai

June 10, 2011

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