December 04, 2015

Dear Professional Colleagues,

Introduction of Secretarial Audit, Annual return certification etc. under the Companies Act, 2013 has given a big boost the practice of Company Secretaries. At present Practising Company Secretaries are doing practice in the form of sole proprietorship firm or in form of partnership firm and only a few firms have 10 or more partners.

The key challenges being faced by small and medium PCS firms include limitation of resources including skilled manpower, infrastructure, Information technology; limitation in providing services at multi locations; Competition with other professional firms; Professional development; Limitation of Client base; Limitation in getting quality work due to limited resources and specialized team; Limitation in scale of operations; Limitation in Brand Equity; Succession planning, etc.

In view of enhanced scope of practice, it is expected that evolution of partnership firms with 10 or more partners shall take place. Possible mode of such evolution may also include/involve mergers/demergers of existing firms to retain benefits of their past experience/credentials.

The key benefits of Networking include the following:

a) Growth, better visibility and branding of Company Secretary firms in view of likely sharing of knowledge, data base, profit, cost, common ownership, control, management, common quality control policies and procedures, common business strategy, the use of a common brand name or resources.

b) Standardization of practices and procedures followed by Company Secretary firms.

c) It provides an opportunity to start up firms to scale up their operations, learn and adopt the standard practices and nuances thereof.

d) Attracting the best talent and retention of best and skilled staff and manpower.

e) Single window services – one stop shop for clients.

f) It may facilitate execution of BPO work.

g) Advantage of economies of scale.

h) Gives more confidence to clients in services.

i) It provides an opportunity to compete with fellow professionals as well as global service providers.

j) It is a step towards adaptation of Global practices and may open gates for International tie-ups for the Company Secretary firms.

k) It may encourage Research in more systematic and meaningful manner.

l) It may encourage Company Secretary firms for moving towards specialist firms, as through Network they can offer complete set of services to their clients without taking liabilities.

m) It improves client satisfaction due to standardized service delivery modules in diversified areas and at different locations.
n) It enhances the confidence to handle assignments in new areas and provides an opportunity for continuous professional updation/training/knowledge dissemination to members as well as service users.

o) Empowerment to small firms and brand building.

p) To provide and accelerate multi disciplinary services.

q) To satisfy the needs of multi locational clients.

r) To provide opportunity to overcome Infrastructure constraints.

s) It provides a base to firms to understand each other, which may lead to merger/formation of mega/bigger firms.

It is proposed to introduce the concept of Networking among PCS members of ICSI. Accordingly the Exposure draft of the Guidelines for Networking are appended below.

We request you to send your views / suggestions on the draft guidelines to Mr. Mahesh Airan, Assistant Education Officer in the Institute at the email id mahesh.airan@icsi.edu so as to reach the Institute not later than December 10, 2015.

Regards,

CS Ashish Garg
Council Member, ICSI &
Chairman, PCS Committee
1. **Short Title & Commencement:**
These Guidelines are called as Guidelines for Network amongst the firms of Company Secretaries and made effective by the Council of the ICSI from …………………………….. 2015.

2. **Definition.**
For the purpose of these Guidelines, unless there is anything repugnant in the subject or context, --

(i) **Firm** – Firm means and includes a Company Secretary in Practice or a sole proprietorship concern, the sole proprietor of which is a Company Secretary in Practice or a firm or Limited Liability Partnership (LLP), wherein all partners are Company Secretaries and such sole proprietor concern, firm or LLP is approved by the Council.


(iv) **Institute** - Institute means the Institute of Company Secretaries of India.

(v) **Council** - Council means the Council of the Institute.

(vi) **Member** - Member means a Member in Practice as defined in the Act.

(vii) **Network** - "Network means a formal arrangement amongst two or more firms to facilitate better functioning of its member firms.

**Explanation –**

(i) It is hereby clarified that the Network may or may not be a registered/ incorporated entity under any law, however its registration with the Institute in terms of clause 4 of these guidelines is mandatory. (The basis of my query is that the entity should be capable to sue and being sued.

(ii) The Network may(should we use the word ‘may’) facilitate sharing of knowledge, data base, profit, cost, common ownership, control, management, common quality control policies and procedures, common business strategy, the use of a common brand name or resources or otherwise facilitate improved functioning of member firms.

(iii) The judgment as to whether a formal arrangement is a network or not, shall be made considering whether a reasonable and informed third party would likely to conclude,
weighing all the specific facts and circumstances, that the firms are associated in such a way that a network exists. This judgment shall be applied consistently throughout the network.

3. **Name of Network:**

(i) The Network shall have distinct name which shall be approved by the Institute. To distinguish a "Network" from a "firm" of Company Secretaries, the words "& Co." / "& Associates" should not be used and the words "Affiliates/Alliance/Federation/syndicate/Network" shall be used after the name of the network. An application for approval of Name for Network shall be made in Form 'PCSNET1' (enclosed) in accordance with guidelines placed at Appendix – 1.

* only one to be permitted

4. **Registration:**

(i) A Network is required to apply for registration within 30 days of its coming into existence(what is meaning of coming into existence), with the Institute in a prescribed Form 'PCSNET2' (enclosed), along with a copy of bye-laws, Charter documents, if any and any changes in constitution of Network or its bye-laws, charter documents, if any to be intimated within 30 days in a prescribed Form PCSNET3.

Explanation 1: A network shall be deemed to have come into existence on the date of formal arrangement amongst firms.

Explanation 2: Formal arrangement means written agreement, understanding and likewise.

Explanation 3: It is clarified that display/usage of the name of the Network without its registration with the Institute, except for making formal arrangement and registration with the Institute, shall be strictly prohibited and punishable as misconduct in terms of the provisions of the act.

5. **Admission/Disassociation with Network:**

(i) A firm is allowed to join or become member of only one Network at a time;
(ii) The firms having common partner / (s) can join or become member of only one Network at a time;
(iii) An individual or partner/(s) of such individual or firm of such individual is allowed to join or become member of only one Network at a time.
(iv) A Network shall within 30 days of admission or disassociation of any firm as a member of a Network, inform the Institute in Form 'PCSNET3' attaching declaration regarding admission/disassociation in prescribed Form 'PCSNET4'.
(v) A member firm of a Network may use the words "Affiliate/Member of (name of network)…" in its stationery, website, communications etc.
(vi) Any firm that displays its affiliation/association with any Network, without being member of respective Network shall be guilty of professional misconduct as per the provisions of the Act.

6. **Network Objective:**

The main objective of a Network shall be to facilitate better functioning of its member firms.
Explanation: It is hereby clarified that the Network can not accept or undertake or execute any assignment of any nature/description/category, whatsoever. However the Network may facilitate the pooling and collective usage of resources including manpower, technology, database, property (both tangible and intangible) by its member firms and may undertake research, provide/arrange training, knowledge to its member firms or their clients. Further member firms of Network may exhibit such resources as their common resources to their service users.

7. **Advertisement by Network:** The Guidelines issued by the Institute for Advertising by Company Secretaries in Practice shall mutatis mutandis apply to the Network.

8. **Violation of Act:** In case of any alleged violation by the Network of the provisions of the "Act, Regulations framed there under, guidelines/directions issued by the Council from time to time, the member firm constituting the Network would be answerable.

9. **Framework of Internal Byelaws of Network**

A network may formulate operational byelaws containing the following clauses on which the members of the network may enter into an agreement among themselves:

(i) Constitution of Managing Committee, from among the managing partners of the member firms of the Network and the terms and conditions under which it should function.
(ii) Administration of the network
(iii) Contribution of membership fees to meet the cost of the administration of the network.
(iv) Identifying a partner out of any of the member firms of the network to be responsible for the networking under these Guidelines
(v) Dispute settlement procedures through arbitration and conciliation
(vi) Development of training materials for members of the network
(vii) Determining the methodology for drawing resources from each member firm
(viii) Determining compensation to member firms for resources to be drawn from them
(ix) Quality Assurance of the member firms

*These clauses are illustrative.*

**Explanation:** It is hereby clarified that the Institute shall have no responsibility towards the resolution of disputes between member firms. However, cases of professional misconduct shall continue to be governed in a manner specified in the Act & regulations made there under.
APPLICATION FOR APPROVAL OF NAME FOR NETWORK OF FIRMS

THE INSTITUTE OF COMPANY SECRETARIES OF INDIA

[See Clause 3 of the Guidelines for Network amongst Firms of Company Secretaries]

1. Proposed name of Network
   (in order of preference)
   1._____________________
   2._____________________
   3._____________________
   4._____________________

2. If Network is proposed to be registered/incorporated under the provisions of any law:
   Yes/No
   (if Yes specify governing law) __________________________________________

Name(s) of the
firm(s)/Member(s) forming network
1.__________
2.__________
3.__________
4.__________

Firm Name/
Member Name
1.______________
2.______________
3.______________
4.______________

CP No.
ACS/FCS No.

3. Proposed communication address of the Network
__________________________________________
__________________________________________
__________________________________________
Pin_____________

Tel No. ________________________
E-mail (if any) __________________

4. We hereby declare that the above firm(s)/Member(s) proposed/ have entered (to be modified accordingly) into an understanding to form a Network in accordance with Guidelines for Network Amongst Firms of Company Secretaries and further affirm and confirm that the partner signing the application has been duly authorised by the other partners of the respective firms.

Place: ……………

Name(s) with Membership No(s).
and signature(s) of duly authorised
Partner(s)/Proprietor(s) of the firms/
Member constituting Network

Date: ……………
DECLARATION FOR REGISTRATION OF FORMAL NETWORK AMONGST FIRMS REGISTERED WITH ICSI

THE INSTITUTE OF COMPANY SECRETARIES OF INDIA

1. Name of the Network

2. If Network Entity is registered/incorporated under any law: Yes/No
   If Yes, specify the governing law, registration no. & date
   (Attach registration certificate & Byelaws/charter documents, if any)

3. Communication address of the Network
   ___________________________________________
   ___________________________________________
   ___________________________________________
   _______Pin___________

4. Names and addresses of firms/Member构成 the Network

   Names and addresses of Firm(s)/Member(s)  CP No.
   ACS/FCS No.

5. (a) Date of formation of Network

6. We undertake to comply with the guidelines/directions laid down by the Council regarding Network from time to time.

We hereby declare that:

(a) the network constituents have entered into an agreement to form this network.
(b) that the partner(s) signing this declaration has been duly authorized by the other partners of the firm

Place: ............
Name(s) with Membership No(s).
Date: .............
and signature(s) of duly authorised Partner(s)/Proprietor(s) of the firms/
Member constituting Network
FORM FOR ADMISSION/DISASSOCIATION TO/FROM A NETWORK OR CHANGE IN ITS CONSTITUTION

THE INSTITUTE OF COMPANY SECRETARIES OF INDIA
[See Clause 04 & 5 of Guidelines for Network Amongst Firms of Company Secretaries]

1. Name of the Network

2. Registration No. of Network

3. Communication address of the Network

______________________________
______________________________
_____________Pin_____________

4. Type of Change – Admission/Disassociation/change in constitution of Network/Change in Bylaws/charter documents

5. Names and addresses of firm(s) admitted to the Network

Names and addresses of CP No.
Firm(s)/Member(s) ACS / FCS no.

Date of Admission
(attach declaration regarding admission to Network in form PCSNET4)

6. Name and address of the firm(s) dissociated from the Network

Name and address of Firm(s)/Member(s) Registration No./CP No.

Date of Disassociation
(attach declaration regarding disassociation to Network in form PCSNET4)

7. Name & Address of the member firms after the above change:

Names and addresses of CP No. Date of becoming member of Network
Firm(s)/Member(s) ACS / FCS no.

8. Change in Constitution of Network _

Type of Network Entity: From........ To.........
Date of Change:
Communication Address :
Others: (Please specify)

9. Change in byelaws/charter documents

Attach certified true copy of amended byelaws/charter documents along with consent/resolution etc. approving such change.
Place: ............

Name(s) with Membership No(s).

Date: .............

and signature(s) of duly authorised
Partner(s)/Proprietor(s) of the firms/
Member
FORM FOR DECLARATION FOR ADMISSION/DISASSOCIATION TO/FROM A NETWORK

THE INSTITUTE OF COMPANY SECRETARIES OF INDIA
[See Clause 05 of Guidelines for Network Amongst Firms of Company Secretaries]

1. Name of the Network

2. Registration No. of Network

3. Communication address of the Network
   ____________________________________
   ____________________________________
   ________________________________ Pin __________________

4. Date of Admission/disassociation to the Network

   Declaration

   I/we (__________________________) hereby declare that I/we have given my/our consent for admission/request for disassociation to/from the above mentioned Network and have been admitted/disassociated to/from the said Network on abovementioned date.

   Date:
   Place:

   Name(s) with Membership No(s). and signature(s) of duly authorized Partner(s)/Proprietor(s) of the firm/Member admitted to/disassociated from Network.
Appendix – 1  
(Referred to in para 3 of Guidelines For Network Amongst Firms Of Company Secretaries and forms an integrated part of the Guidelines)

1. A proposed name of a Network should not be:
   a. identical with or too nearly resembling with:
      i. Name of a firm or Network of firms of Company Secretaries in existence; or
      ii. Name of a firm or Network of any other Professionals in existence; or
   Explanation: In this clause “firm” includes firm of any professionals viz. Chartered Accountants, Cost Accountants, Lawyers. (will it be permitted)
   In this clause “Network” includes Network/association/affiliation of other professionals viz. Chartered Accountants, Cost Accountants, Lawyers, in whatsoever form/nomenclature. A registered trade-mark or a trade mark which is subject of an application for registration, of any other person under the Trade Marks Act, 1999.
   b. in violation of the provisions of Emblems and Names (Prevention of Improper Use) Act, 1950 as amended from time to time.
   c. offensive to any section of people, e.g., proposed name does not contain profanity or words or phrases that are generally considered a slur against an ethnic group, religion, gender or heredity.

2. After the name of a Network is approved as per provision under Guideline 3, the Institute shall reserve such name for a period of three (3) months from the date of approval.

3. The Network shall get itself registered with the Institute by applying within the period of 3 months, failing which the name assigned shall stand cancelled on the expiry of the said period.