



SIRC MYSURU CHAPTER

# eMagazine

January, 2024  
237<sup>th</sup> Edition

## Vision

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

## Motto

सत्यं वद। धर्मं चर। इष्टं कुरु त्वात्तु। शोभते त्वु त्वे विय।

## Mission

"To develop high calibre professionals facilitating good corporate governance"

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**CS Phani Datta D N**

**CHAIRMAN  
MYSURU CHAPTER**

*P*

*ear Professional Colleagues*

It gives me immense pleasure to greet you all through this prestigious eMagazine after assuming the proud and prestigious office as the Chairman of Mysuru Chapter of ICSI with much humility. I would like to convey my sincere gratitude to all of you for reposing the trust and confidence in me.

With the start of 2023, the new set of forms have been migrated to MCA-V3 which has been challenging for the members. As the need of the hour, being at the juncture of change, it is important for us to deliberate and handhold each other. In this direction, we have already started to bring in unique programs, seminars and platforms for discussions. We ensure to work towards the enhancement of knowledge and support for both students and members through the Chapter programs. We have also initiated study circles, industrial visits and several other academic and experiential learning programs for the students. I request both the members and student fraternity to make the effective use of the same with active participation.

“A good start is half the Battle” – Plato

With many such programs in pipeline the year has started well, and I assure you an eventful year ahead.

It was a matter of great pride and joy to us when the professionals across India recognized the Mysuru Chapter through this eMagazine and appreciated the efforts behind it at the recently concluded 5th Leadership Summit. I would like to take a moment to thank CS Dattatri, CS Vijaya Rao and all other editorial members and all the articles and column contributors till date for your unstinted support in making this eMagazine consistently outstanding.

Thank you



THE INSTITUTE OF  
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

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# *Toastmasters*



## *ICSI Mysuru RoyalPro Toastmasters Club*

Mentors build Mentors. Leaders build leaders. When you look at it closely, it's really one and the same thing.

- Tony Dungy

The term of the current Executive Committee members of the ICSI Mysuru RoyalPro Toastmasters Club ended in the month of December, The Club elected New Executive Members, who are filled with new visions and ideas for the growth of the club.

The New Executive Committee members are as follows:

**President:** TM Harsha A

**Vice President Education:** TM Parvati K R

**Vice President Membership:** TM Krishne Gowda

**Vice President Public Relations:** TM Arya Britto

**Secretary:** TM Raghuveera

**Treasurer:** TM Abhishek B

**Sergeant at Arms:** TM Deepika

The Club is organising the Installation ceremony of its Club officers on 26<sup>th</sup> January, 2024.

If you are interested in joining our Toastmasters club and reaping its benefits, please do get in touch with the club President TM Harsha A 99868 - 32814 or Chapter Chairman TM Phani Datta D N at 98862-14182 (only through WhatsApp please). We would love to have you as part of our family!

## Release of Special Edition “Vimshati” by Her Highness Trishika Kumari Wadiyar

The Institute of Company Secretaries of India (ICSI) Mysuru chapter proudly celebrated two decades of continuous eMagazine publication, a significant milestone in the realm of corporate governance and secretarial practices.

To celebrate the event, chapter had organized a two-day seminar on the theme “Governance Culture as a Transformative Driver of Sustainable Development Goals (SDG 2030)” on Dec 15 and 16.

The special edition of eMagazine “Vimshati” was released by Trishika Kumari Wadiyar and ICSI Vice-President CS B Narasimhan and past president CS Nagendra D Rao.

Addressing the gathering, Trishika Kumari said, “Team efforts will always create the milestone” and appreciated the initiative on selecting the topic Sustainable Development Goals as the theme for the magazine as well as the seminar. Stating that the Mysuru has the culture of always inculcating the practice of sustainable development, she expressed her happiness that the tradition is continuing.

Vice President CS B Narasimhan appreciated the Mysuru chapter’s effort in sharing the knowledge continuously and tirelessly by the dedicated team regularly on 15th of the month.

Past President CS Nagendra Rao said Mysuru Chapter, though it is a small chapter its work is nothing less than any big chapter. (Murty chikkadaadaru Keerti doddadu). Also praised that, whether rain or shine, sun comes or not every 15th of the month Mysuru chapter eMagazine will be released.

After the release, Chapter recognised and felicitated the top contributors of the eMagazine past and present editorial team and all the chairman’s of Mysuru Chapter

Chapter chairman CS Phani Datta D N welcomed the gathering and secretary CS Krishne Gowda C proposed the vote of thanks. More than 70 members and students participated in the event.

Eminent speakers like CS Savitri Parekh, Company Secretary and Compliance officer from Reliance Industries, CS Kanchana Chitra, GM at IBS Software Services, Mrs. Meena Raghunathan CSR, ESG Auditor, and Panel discussion by Industry experts Mr. Sumanth Prabhu, Dr. Mahesh Rao, Mrs. Ramya Bopanna CS Dattatri H M held during the two days.

## Reforms and Transformers - The Path Forward

The seminar on "Reforms and Transformers - The Path Forward," hosted by CS Kanchana Chitra on December 15, 2023, provided a dynamic exploration into the intersection of technology and compliance in corporate governance. As a trailblazing new-age professional, Chitra showcased her pioneering efforts in leveraging technology to streamline and enhance compliance processes. The seminar offered invaluable insights into managing compliance through automation tools such as compliance management systems, Board Tools, Annual Report preparation, and BRSR tools. Attendees gained a comprehensive understanding of how innovative technological solutions can revolutionize and optimize the landscape of corporate compliance and governance in the modern era.

On December 15, 2023, Mrs. Meena Raghunathan, a seasoned professional in the realms of Corporate Social Responsibility (CSR), Environmental, Social, and Governance (ESG), and Social Audits, delivered a compelling talk on seminar on the challenges surrounding Sustainable Development Goals (SDGs) and the pivotal role of CSR in addressing them organized by ICSI. With her wealth of experience as an advisor and Board Member for prominent entities like GMR, Mrs. Raghunathan shed light on how strategic CSR initiatives can effectively contribute to overcoming the challenges associated with SDGs. The seminar served as an insightful platform for understanding how corporate entities can align their operations with sustainable practices, fostering a positive impact on society and the environment.

CS Abhishek Bharadwaj, Treasurer of the chapter anchored the program.



**Report by**  
CS Debadas Panda  
Company Secretary of  
Automotive Axles Limited

## Panel Discussion Report on "Attitudinal Shift is the Need of the Hour to Achieve SDG

"If you want to change the world, you have to begin with yourself." True to this quote, bringing SDG into action requires us to bring about change, first within ourselves, therefore the theme of the panel discussion was 'Attitudinal Shift is the need of the hour to achieve SDG goals.'

CS Dattatri, the panellist who represented the corporate governance side for the discussion, gave his opening remarks explaining how complex the 17 Sustainable Development Goals (SDG) goals given by the United Nations would be for laymen. He explained how without knowing the background and the purpose of the SDG goals none of the business related fraternity would want to join hands in anything that promotes sustainability. CS Dattatri also mentioned many cases of huge corporations that have misused the corporate vehicles to gain nothing but profits and have deviated far and wide from people and the planet. With such an adverse scenario rising in the world, he showed how crucial it is for professionals to ensure compliance of such sustainability driven laws in letter and spirit.

Dr. Mahesh Rao, an educationalist and veteran industrialist, expressed his concern that too many compliances take away the spirit of business. Having had businesses abroad and with global experience in entrepreneurship, he explained how India's ease of doing business should enhance. Otherwise, aligning with SDG goals will remain as just another of the various compliance requirements. With many thought-provoking anecdotes, he also gave insights on the different levels of business in which attitudinal shift is crucial.

Ms. Ramya Bopanna represented the women entrepreneur and agricultural segment in the discussion. Corporates tend to grow rapidly, and they must not expect or try to bring such rapidity to agriculture. She explained the stark differences in business and agriculture and that businesses must help agriculture, without disturbing the ecological balance, blindly for profits. She explained how corporatization of produce in order to carefully maintain the supply to markets so as to avoid unstable prices of the produce is beneficial and such roles of the corporate in agriculture is definitely welcome. She agreed that attitudinal shift is the need of the hour as a first step on the roadmap to achieving SDG goals.

Mr. Sumanth Prabhu too agreed with Dr. Mahesh Rao on the lines that compliance takes away a huge chunk of time of entrepreneurs and remarked that he seemed to feel like he is a “reporting” entrepreneur than an entrepreneur who takes actions. He also agreed with Dr. Mahesh Rao that change must start from the employee level. Mr. Sumanth narrated anecdotes explaining how difficult it was to implement a simple no-tissues-rule (to eliminate single use items) in the hand wash area of their business organization. He further drew attention to the different mindsets that employers and employees carry to the workspace and that attitude shift begins by these minds coming into consensus.

CS Dattatri concluded the discussion by stating that a great attitude shift is possible if one looks back and learns from the past of our land how Dharma, meaning duty, was the core of a society. Everyone upheld their Dharma and beyond just profitability, a lot more will follow such as sustainability, ecological harmony. He threw light on how the so-called modern people are excessively rights-driven. In other words, such duty-driven integrity will ultimately enhance the 3Ps- planet, people and profits. Therefore, if the current attitude is coupled with a duty-driven approach, the attitude shifts favourably, remarked CS Dattatri.

CS Abhishek Bharadwaj moderated the discussion.



**Report by**  
Aparna U  
CS Executive student



## Sustainability and Development Goals

Sustainability: What Is It? If I had to sum it up in one line, I would want to use something that CS Savithri Parekh mentioned at a recent seminar held by the ICSI Mysuru Chapter: giving back to society by sharing one's own resources in order to support its environmental and economic needs.

According to the results of the most recent Sustainability and Development goals (SDG) survey, which was conducted in 2020–2021, India fell short in a number of areas, including innovation, economic growth, and health. One of the best ways to address these shortcomings was to implement corporate social responsibility (CSR), which is defined as Section 135 of the Companies Act of 2013 and which requires corporations to make contributions that both advance economic development for society and bring about positive and productive change. This in turn draws attention to the corporations that are genuinely contributing to society.

With respect to the corporate social responsibility (CSR) The corporate's principal objective should be as per the Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 and it is based on this the CSR committee should formulate the CSR policy of a company. All those companies who are falling under the threshold limit as given under the sec 135 of the companies Act, 2013 should contribute at least 2% of the Average net profit earned during the last 3 preceding financial years and such contribution can be made directly or through a registered implementation agency. It is not necessarily be a project with huge budget, it can be even by way of providing vocational education to few group of people or providing mid-day meals to students but the impact of which should be in such a way it creates a multiplier effect thereby ensuring the achievement of sustainability and development goals.

Establishing clear guidelines and benchmarks for each project and aligning the annual action plan with them is a crucial step that corporations should take when it comes to their CSR initiatives. This will help them reach their ultimate objectives and will also enable them to assess their progress and pinpoint areas for improvement. There can be a situations where companies wants to contribute to objective which is not falling under the Schedule VII of the CSR policies Then in such cases, the corporates can look for alternate options, like whether such contribution amount to donation falling under 80G deduction of the Income Tax Act 1961 and can try claiming such benefits which will ultimately provide a win- win situation for both the company and society though it is not falling under the CSR objectives.

In conclusion rather than seeing CSR as a responsibility or obligation corporates should view CSR as a means of improving inclusive growth but also as the way of improving the environment surrounding them.



**Report by**  
Arya Britto  
CS Professional student

# Pictures of the event





# Beneficial Interest and Significant Beneficial Owners for LLPs – A Shift to a More Transparent Corporate Reporting Regime

## Introduction

With a view to increase transparency in reporting for Limited Liability Partnerships (“the LLPs”), the Ministry of Corporate Affairs (“the MCA”) introduced Rule 22A and Rule 22B in the Limited Liability Partnership Rules, 2009 (“LLP Rules”) on 27/10/2023 and introduced the Limited Liability Partnership (Significant Beneficial Owners), Rules, 2023 (“LLP SBO Rules”) on 09/11/2023.

Until now, only the companies were subjected to identify their Significant Beneficial Owners (“SBOs”) and follow the related compliances under Sections 89(10) and 90 of Companies Act, 2013 (“the Act”) read with Companies (Significant Beneficial Owners) Rules, 2018 (“Company SBO Rules”). The same have now been extended to the LLPs through the LLP SBO Rules.

The amendments are expected to align the framework of identification and reporting of SBOs of LLPs with that of companies. As a result, all the existing LLPs and the SBOs identified pursuant to the LLP SBO Rules would be required to take necessary steps and make requisite disclosure of such significant beneficial ownership.

We shall discuss the important aspects of these amendments with the intention, purpose and compliance requirements one by one.

## Introduction of Beneficial Interest for LLPs

### Obligation of the LLP

As per Rule 22A of the LLP Rules the law puts an obligation upon the LLPs to maintain a register of partners of the LLP in the prescribed manner. The register shall be maintained in Form 4A and the same is to be kept at the registered office of the LLP. The timeline to maintain such register is as follows:

“

If there are any

changes with respect to beneficial interest of the contribution of the LLP, both the registered partner and the beneficial partner shall file Form 4B and Form 4C respectively within 30 days of date of such change in beneficial interest in the contribution.”

**CS Akshita Surana**  
Governance and Risk Management Professional  
FCS, CGP (UK), PGADR, LL.M, B.Com (H)  
Email ID akshitasurana@gmail.com



LLPs existing as on 27/10/2023	LLPs formed post 27/10/2023
Within 30 days from the commencement of the LLP rules	Immediately on the notification of the LLP Rules

Any changes in the particulars of the partners shall be incorporated in the register within seven 7 days of such change.

#### Obligation of the Partners

As per Rule 22B(1) of the LLP Rules, every person whose name is entered in the register of partners but does not hold any beneficial interest in the contribution of the LLP (“the registered partner”), shall file a declaration in Form 4B to the LLP within 30 days of the name being entered in the register of partners of the LLP.

Rule 22B(2) of the LLP Rules, every person who holds or acquires a beneficial interest in the contribution of LLP, but their name has not been registered in the register of partners (“the beneficial partner”), shall file a declaration in Form 4C within 30 days acquiring such beneficial interest in the contribution of the LLP.

If there are any changes with respect to beneficial interest of the contribution of the LLP, both the registered partner and the beneficial partner shall file Form 4B and Form 4C respectively within 30 days of date of such change in beneficial interest in the contribution.

#### Obligation of the LLP

Pursuant to Rule 22B(3) on receipt of such declarations from the registered partner in Form 4B and the beneficial partner in Form 4C, the LLP shall file Form 4D to the concerned Registrar of Companies (“RoC”) within 30 days of the date of receipt of the declaration.

#### Summary of the forms under Rule 22A and Rule 22B of the LLP Rules

Sl. No.	Provision	Form	Particulars
1.	Rule 22A (1) & 22B (2) of LLP Rules	Form 4A	Maintenance of the register of partners as per the LLP Rules
2.	Rule 22B (1) of LLP Rules	Form 4B	Declaration by the registered partner to the LLP
3.	Rule 22B (2) of LLP Rules	Form 4C	Declaration by the beneficial partner to the LLP
4.	Rule 22B (3) of LLP Rules	Form 4D	Filing of return of beneficial interest by the LLP to the ROC

It is important to note that, Rule 22B of LLP Rules did not define or clarify the meaning of “beneficial interest” in the contribution of the LLP. The meaning of ‘beneficial interest in shares’ has been however clarified under Section 89(10) of the Act for the purpose of both Section 89 and Section 90 of the Act. Also, while Section 90 is applied to LLPs, Section 89(10) which defines as what the beneficial interest mean has not been applied to LLPs.

Nevertheless, under the LLP Act, a partner’s contribution in an LLP is permitted in any form, and the obligation for contribution, voting rights, and profit distribution rights linked to such contributions are regulated by the LLP agreement. This signifies that, in accordance with the LLP agreement, a beneficial partner may possess voting or profit distribution rights that may not precisely align with the recorded partner’s contribution. Consequently, defining the term ‘beneficial interest in contribution’ within the LLP context could have been helpful, offering clarity on the type of interest required for declaration under Rule 22B.

### Significant Beneficial Ownership for LLPs

Significant Beneficial Owner in relation to a reporting LLP means an individual who acting alone or together or through one or more persons or trust, possesses one or more of the following rights or entitlements in such reporting LLP, namely:

- I. holds indirectly or together with any direct holdings not less than 10% of the contribution;
- II. holds indirectly or together with any direct holdings, not less than 10% of the voting rights in respect of the management or policy decisions in such LLP;
- III. has right to receive or participate in not less than 10% of the total distributable profits or any other distribution, in a financial year through indirect holdings alone or together with any direct holdings;
- IV. has right to exercise or actually exercises significant influence or control, in any manner other than through direct holdings alone.

### Prerequisite of Holding Indirect Right or Entitlement in SBO

An individual is excluded from being recognized as an SBO if there is an absence of any indirect right or entitlement in the LLP. To qualify as a direct holder, the individual must either have the contribution registered in their own name or have formally declared the beneficial interest associated with the holding as per Rule 22B (2) of the LLP Rules read with Explanation I and Explanation II of Rule 3(1)(k) of the LLP SBO Rules.

### Determination of SBO

In order to ascertain the SBO, an individual must initially meet the criteria set forth below.

Sl. No.	Particulars	Criteria
1.	Where the partner of the reporting LLP is a body corporate (whether incorporated or registered in India or abroad), other than an LLP and individual	An individual who - a) holds majority stake in that partnership; or b) holds majority stake in the ultimate holding company (whether incorporated or registered in India or abroad) of that partnership.
2.	Where the partner of the reporting LLP is a Hindu Undivided Family (HUF) (through karta)	An individual who is the karta of the HUF.
3.	Where the partner of the reporting LLP is a partnership entity (through itself or a partner)	An individual who - a) is a partner; or b) holds majority stake in the body corporate, which is a partner of the partnership entity; or c) holds majority stake in the ultimate holding company of the body corporate, which is a partner of the partnership entity.

4.	Where the partner of the reporting LLP is a trust (through trustee)	An individual who - a) is a trustee in case of a discretionary trust or a charitable trust; b) is a beneficiary in case of a specific trust; or c) is the author or settlor in case of a revocable trust.
5.	Where the partner of the reporting LLP is a pooled investment vehicle or an entity controlled by the pooled investment vehicle, based in a member State of the Financial Action Task Force on Money Laundering, and the regulator of the securities market in such member State is a member of the International Organisation of Securities Commissions	An individual in relation to the pooled investment vehicle, who - a) is a general partner; b) is an investment manager; or c) is a chief executive officer where the investment manager of such pooled vehicle is a body corporate or a partnership entity.
6.	Where the partner of a reporting LLP is a pooled investment vehicle or an entity controlled by the pooled investment vehicle, based in a jurisdiction other than mentioned in clause (5) above	An individual who belongs to any of the clauses in (1) to (4) above.

#### Meaning of Significant Influence

Significant influence means the power to participate, directly or indirectly, in the financial and operating policy decisions of the reporting LLP but does not mean control or joint control of those policies.

#### Meaning of Majority Stake

**The majority stake shall mean:**

- I. holding more than one-half of the equity share capital in the body corporate; or
- II. holding more than one-half of the contribution in a partnership entity; or
- III. holding more than one-half of the voting rights in the body corporate; or
- IV. having the right to receive or participate in more than one-half of the distributable dividend or distributable profits or any other distribution by the body corporate including a partnership entity as the case may be;

#### Meaning of Control

Control includes the right to appoint majority of the designated partners or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their contribution or management rights or limited liability partnership agreements or other agreements or in any other manner;

#### Meaning of Ultimate Holding Company

Here, unlike SBO Rules, the concept of “ultimate holding company” has been defined in the LLP SBO Rules to mean any holding company as defined under Section 2(46) of the Act which is not a subsidiary of any other body corporate.

### Obligations of the SBO

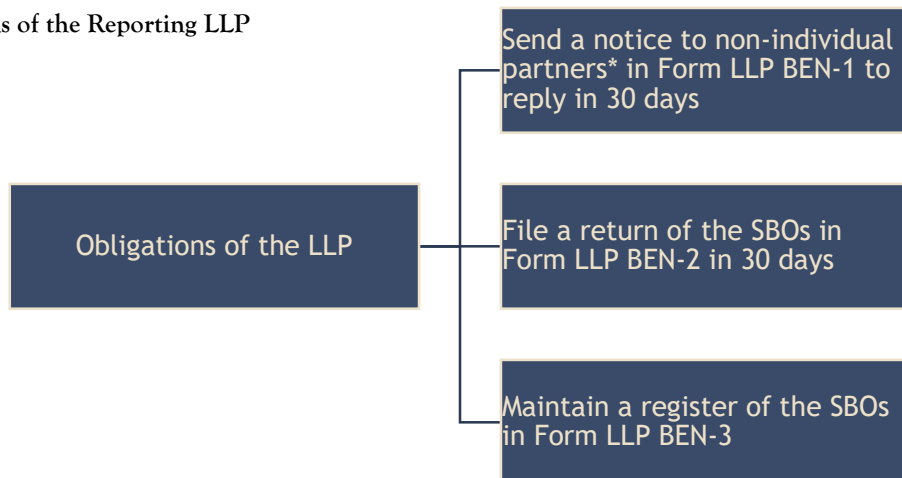
For initial disclosure, every individual who is an SBO for the existing reporting LLP as on 09/11/2023, shall furnish a declaration to the reporting LLP in Form LLP BEN-1 within 90 days from 09/11/2023, i.e., 07/02/2024.

For continual disclosure, an individual who subsequently becomes an SBO, or, where the significant beneficial ownership undergoes any change will be required to file the declaration in Form LLP BEN-1 to the reporting LLP within 30 days of acquiring such beneficial interest.

### Changes in SBO during the transition period

In case an individual becomes an SBO or where his significant beneficial ownership undergoes any change, within 90 days of the commencement of this rules i.e., from 09/11/2023 to 07/02/2024, it shall be deemed that such individual became the SBO or any change therein happened on the date of expiry of 90 days from the date of commencement of this rules, and the period of 30 days for filing will be reckoned accordingly.

### Obligations of the Reporting LLP



Such non-individual partner should be holding not less than 10% of its contribution or voting rights or right to receive or participate in the distributable profits in a financial year.

### Exemption from the LLP SBO Rules

These rules will not be applicable to the extent the contribution of the reporting LLP is held by:

1. the Central Government, State Government or any local authority;
2. a reporting LLP or a body corporate or an entity, controlled by the Central Government or by one or more State Government, or partly by the Central Government and partly by one or more State Government;
3. investment vehicles registered with, and regulated by the SEBI, such as mutual funds, AIFs, REITs, InVITs;
4. an investment vehicle regulated by the Reserve Bank of India, or the Insurance Regulatory and Development Authority of India, or the Pension Fund Regulatory and Development Authority.



The exception granted to a subsidiary, allowing it to benefit from the SBO details submitted by the holding reporting company, does not apply to LLPs. Consequently, if one LLP holds ownership in another LLP, both entities are required to individually adhere to the regulatory norms without the extension of such an exemption.

### **Conclusion**

The inclusion of LLPs in the regulatory framework for identifying and reporting SBOs, mirroring the obligations already imposed on companies, indicates the government's commitment to enhancing transparency regarding the ultimate beneficial ownership of LLP structures. The introduction of the LLP SBO Rules has been praised for its potential to boost transparency in ownership, reinforce corporate governance, and instil trust in the business ecosystem. However, the true impact and effectiveness of these LLP SBO Rules will be evaluated over time as they are put into practice and their implications become more apparent.

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# Help Yourself

*Food for Thought*

## What to Say when you Talk to Yourself

*by Shad Helmstetter*

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

In the beginning of the year, we often make a lot of promises to ourselves like new year resolutions, fitness goals, vision boards and so on. As the year advances, somehow our enthusiasm fades out. Often, we achieve some of the set targets and we start bashing ourselves about those we could not. We get to a level where we feel these are not at all meant for us. In such cases, it doesn't take very long for our self-talk to turn unreasonably negative. All of this makes way to the subconscious mind that ultimately alters our perceptions and beliefs about our abilities. 75% of all illnesses are self-induced, the book points out.

Research has shown that the perception of ourselves is mostly what others think about us. It is about what others have told us since our tender ages. Unfortunately, we are often told what we cannot do in life than what we can. Most of these work against ourselves. They form the critical voice inside of us and lead us to believe a lot of things that we are not. "Repetition is a convincing argument" says the book and gives apt examples.

The author of this book, in his schooling, wanted to be a part of the school band by learning to play guitar. After his audition, he overheard the music director tell his class teacher that the author can neither be part of the band, nor ever learn music as he lacks musical ability. For two whole decades the author believed this to be true and hadn't learned to play a single musical instrument, although he was eager to do so. He repeated to himself what the music director had said, believed it and made it his reality. This

anecdote definitely strikes a chord with us somewhere. If not in our own lives, we have seen it impact those around us. We have come across this quote in many self-help books:

“What we think, we become.” -Buddha

Another quote that brings out the same message but is put in a very interesting manner is:

“Whether you think you can or you think you can't, you're right.” - Henry Ford.

However, the reverse scenario of this situation is also possible. Such a case is positive, uplifting and would also seem miraculous. But this story, I'd want you to read from the book, you will find it in Chapter 5.

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

The book goes on to explore and discuss various aspects of self-talk like behavioural changes, attitudinal changes, different levels of self-talk, situational self-talk and so on. You may have come across insights on human behaviours, attitudes, and habits in other books such as Atomic Habits by James Clear (article on this book in the August 2021 issue of the e-Magazine) or Attitude is Everything by Jeff Keller (article on this book in the May 2021 issue of the e-Magazine) but these topics in this book are from the perspective of self-talk. How our self-talk influences us when we externally behave in a certain way, approach with a certain attitude and form habits. The book touches upon the neuroscience of self-talk but on a personal note I wish it was discussed with some more depth. But the book is definitely a good tool to question and contemplate your ways of self-talk and harness ways to work it in your favour. After all, you are all you have, so you wouldn't want to be too bitter to yourself. What makes you wait then, go help yourself with this food for thought!

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# Tech Corner

## How Good the AI is.

### *Introduction*

Artificial Intelligence (AI) has emerged as a ground breaking technological force that is reshaping the way we live, work, and interact with the world. While discussions around AI often include concerns about its potential risks, it is crucial to recognize and appreciate the numerous positive contributions that AI brings to various aspects of our society. This article explores the myriad ways in which AI is enhancing our lives and fostering positive change.

### *Efficiency and Automation*

One of the key strengths of AI lies in its ability to streamline processes and boost efficiency across industries. Automation powered by AI technologies allows businesses to optimize workflows, reduce operational costs, and allocate resources more effectively. From manufacturing and logistics to customer service and data analysis, AI-driven automation is enhancing productivity and enabling organizations to focus on higher-value tasks.

### *Healthcare Advancements*

AI is revolutionizing the healthcare industry, offering innovative solutions for diagnosis, treatment, and patient care. Machine learning algorithms can analyze vast datasets to identify patterns and trends, aiding in early disease detection and personalized treatment plans. Robotics and AI-powered devices assist in surgeries, making procedures more precise and reducing recovery times. These advancements contribute to improved patient outcomes and a more efficient healthcare system.

### *Education and Personalized Learning*

In the realm of education, AI is playing a pivotal role in personalizing learning experiences. Adaptive learning platforms use AI algorithms to assess individual student progress and tailor educational content to meet their specific needs. This approach not only enhances understanding but also fosters a more engaging and effective learning environment. AI-driven educational tools have the potential to bridge gaps in access to quality education, making learning more accessible globally.

### *Environmental Conservation*

AI technologies are increasingly being applied to address environmental challenges. From predicting and mitigating the impact of natural disasters to optimizing energy consumption and resource management, AI is instrumental in creating sustainable solutions. Machine learning algorithms analyze climate data, aiding in the development of strategies to combat climate change and protect the environment.

### *Innovations in Creativity*

AI is proving to be a valuable tool in fostering creativity across various artistic domains. Generative models and algorithms are used to create music, art, and literature. These AI-generated works not only showcase the potential for collaboration between human creativity and machine intelligence but also open up new avenues for artistic expression.

### *Conclusion*

While concerns about the ethical and societal implications of AI are valid and should be addressed responsibly, it is essential to acknowledge the overwhelmingly positive impact that AI has on our world. From driving efficiency and innovation to improving healthcare and education, AI is a transformative force that holds the potential to create a better future for humanity. As we navigate the evolving landscape of AI, embracing its positive contributions and leveraging its capabilities responsibly will be key to unlocking its full potential for the benefit of society.”

The entire above article was written by the AI “Chatgpt” just by giving a small command.

This shows how advanced AI is, we as professionals can use ai in order to reduce our work and save time so that we can focus on better things. Using the AI normally is easy; however, we can enhance the experience and results that we get by learning how to give the prompts and commands to the AI so that we can get much more enhanced results.

Embrace the power of AI at the same time don't forget that human intelligence is far more advanced than any AI. We can use the AI to enhance quality of the service we provide but we have to do it carefully.

"Artificial Intelligence is not just a technological tool; it's a beacon of innovation, illuminating pathways to efficiency, discovery, and a brighter future for humanity."

Use AI Responsibly and Take All Due Care

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# Students Corner

## Corporate Social Responsibility and Responsibilities of the Board

### Applicable Provisions:

- Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules)

### The Provision of CSR is Applicable to

- Every Company
- Its Holding Company
- Its Subsidiary Company
- Foreign Company

### CSR Applicability:

Any of the above company satisfying any of the following criteria during the immediately preceding financial year will have to comply with CSR provisions.

- (i) Net worth of rupees five hundred crores or more, or
- (ii) Turnover of rupees one thousand crore or more, or
- (iii) Net profit of rupees five crore or more

Net profits: means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following,

- (i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and
- (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the companies act.

## CSR Committee

CSR is a Board-driven process. The Board of the company is empowered to plan, decide, execute, and monitor the CSR activities of the company based on the recommendation of its CSR Committee.

1. Ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years.
2. Approve the CSR policy.
3. If the company fails to spend at least two per cent of the average net profits of the company, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount and transfer the unspent CSR amount.

## Composition of CSR Committee

Listed companies Three or more directors, out of which at least one shall be an independent director.

Unlisted public companies Three or more directors, out of which at least one shall be an independent director. However, if there is no requirement of having an independent director in the company, two or more directors.

Private Companies Two or more Directors. No Independent Directors are Required. Foreign Company at least two persons out of which:

- a) one shall be a person resident of India who shall accept notices and documents behalf of the company and
- b) another shall be nominated by the foreign company.

Where the amount required to be spent by a company on CSR does not exceed fifty lakh rupees, the requirement for constitution of the CSR Committee is not mandatory and in such case board will discharge such functions

Functions of Committee:

- (i) formulate and recommend the CSR policy to the Board;
- (ii) recommend the amount of expenditure to be incurred on CSR activities;
- (iii) monitor the CSR policy of the company from time to time; and (iv) formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy,

and such companies are required to spend in every financial year at least 2% of average net profit of the company made during the 3 immediately preceding financial year. The amount spent by a company towards CSR cannot be claimed as business expenditure.

- Section 198 of the Act specifies certain additions/deletions (adjustments) to be made while calculating the net profit of a company (mainly it excludes capital payments/receipts, income tax, set-off of past losses).
- Profit Before Tax (PBT) is used for computation of net profit under section 135 of the Act.
- The surplus arising out of CSR activities shall be utilised only for CSR purposes.
- Any surplus arising out of the CSR activities shall not form part of the business profit of a company and shall be ploughed back into the same project or shall be transferred to the Unspent CSR Account and spent in pursuance of CSR policy and annual

action plan of the company or transfer such surplus amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year.

**Examples** -CSR, revenue received from the CSR projects, disposal/sale of materials used in CSR projects, and other similar income sources.

The excess amount can be set off against the required 2% CSR expenditure up to the immediately succeeding three financial years subject to compliance with the conditions stipulated under rule 7(3) of the Companies (CSR Policy) Rules, 2014. This position is applicable from 22nd January, 2021 and has a prospective effect. Thus, no carry forward shall be allowed for the excess amount spent, if any, in financial years prior to FY 2020-21.

- i. The excess amount available for set off shall not include the surplus arising out of the CSR activities,
- ii. The Board of the company shall pass a resolution to that effect.

CSR expenditure cannot be incurred on activities beyond Schedule VII of the Act.

The Major Responsibilities of the Board, inter-alia, include:

- (i) Identification of the ongoing projects.
- (ii) Year-wise allocation of funds.
- (iii) Transferring the unspent money to a separate bank account as prescribed under sub-section (6) of section 135.
- (iv) Monitoring the implementation of the projects with reference to the approved timelines and year-wise allocation; and
- (v) making modifications, if any, for smooth implementation of the projects within the overall permissible period.

The Board may abandon or modify an ongoing project, partially or wholly, under exceptional circumstances, during the prescribed project period as per the recommendation of its CSR Committee, and by providing reasonable justification to that effect.

If a company spends less than the amount required to be spent under their CSR obligation, the Board shall specify the reasons for not spending in the Board's report and shall deal with the unspent amount in the following manner:

- Unspent amount pertains to 'ongoing projects' Transfer such unspent amount to a separate bank account of the company to be called as 'Unspent CSR Account' within 30 days from the end of the financial year.
- Unspent amount pertains to 'other than ongoing projects' transfer unspent amount to any fund included in Schedule VII of the Act within 6 months from the end of the financial year
- when the company spends the prescribed amount as per its obligation. In case the company fails to spend the requisite amount within the financial year, it shall fulfil its obligation by transferring the unspent amount to any fund included in Schedule VII of the Act. The same will be considered as compliance with section 135(5) of the Act. Further, the Board of the company is required to give the requisite disclosure in the Board report and annual report on CSR.

Companies are not permitted to spend the unspent CSR amount, other than the amount pertaining to ongoing projects, on any CSR activity during the intervening period of six months after the end of the financial year. Such unspent CSR amount is required to be transferred to any fund included in Schedule VII of the Act.

A company needs to open a separate 'Unspent CSR Account' for each financial year but not for each ongoing project.



Unspent CSR account used only for meeting the expenses of ongoing projects, and not for other general purposes of the company. The special account cannot be used by the company as collaterals or creating a charge or any other business activity.

### CSR Penal provision on Unspent Fund

The said non-compliance is a civil wrong and shall attract the following penalties:

Company -Twice the unspent amount required to be transferred to any fund included in Schedule VII of the Act, or unspent CSR Account, as the case may be, or one crore rupees, whichever is less. Every Officer in Default -1/10th of the unspent amount required to be transferred to any fund included in Schedule VII of the Act or Unspent CSR Account, or two lakh rupees, whichever is less.

The penalty does not relieve the company from the obligations under the law, and the penalty is over and above the obligated amount required to be transferred under section 135(5) or 135(6)

If we take a look at the recent case of Quest Global Engineering Services Private Limited, MCA imposed penalty for delay in transfer of unspent CSR amount. Penalty calculated at Rs 2,46,78,276(twice the amount) imposed the a maximum penalty of 1,00,00,000 and every officer in default 2,00,000 each.

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# Regulatory Updates

## SEBI Act, 1992

### Updates on Circulars

#### Framework for Short Selling

SEBI vide Master Circular No. SEBI/HO/MRD2/PoD-2/CIR/P/2023/171 dated October 16, 2023, contains the framework on Short Selling and Securities Lending and Borrowing Scheme.

The Broad framework for short selling is specified in Annexure 3 of chapter 1 of the said Master circular. The contents of the said Annexure shall be read as under.

#### Annexure 3: Broad Framework for Short Selling

Naked short selling shall not be permitted in the Indian securities market and accordingly, all investors would be required to mandatorily honor their obligation of delivering the securities at the time of settlement.

- No institutional investor shall be allowed to do day trading i.e., square-off their transactions intra-day.
- A scheme for Securities Lending and Borrowing (SLB) shall be put in place to provide the necessary impetus to short sell. The introduction of a full-fledged securities lending and borrowing scheme shall be simultaneous with the introduction of short selling by institutional investors.
- The securities traded in the F&O segment shall be eligible for short selling.
- The institutional investors shall disclose upfront at the time of placement of order whether the transaction is a short sale. However, retail investors would be permitted to make a similar disclosure by the end of the trading hours on the transaction day.
- The brokers shall be mandated to collect the details on scrip-wise short sell positions, collate the data and upload it to the stock exchanges before the commencement of trading on the following trading day.

The detailed circular is available at [https://www.sebi.gov.in/legal/circulars/jan-2024/framework-for-short-selling\\_80448.html](https://www.sebi.gov.in/legal/circulars/jan-2024/framework-for-short-selling_80448.html)

*SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/1*

#### **Foreign investment in Alternative Investment Funds (AIFs)**

The Chapter 4 of SEBI Master Circular No. SEBI/HO/AFD/PoD1/P/CIR/2023/130 dated July 31, 2023, for AIFs stands modified as mentioned below, to align with the amendments to the Prevention of Money

-Laundering (Maintenance of Records) Rules, 2005.

The investor, or its beneficial owner as determined in terms of sub-rule (3) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, is not the person(s) mentioned in the Sanctions List notified from time to time by the United Nations Security Council and is not a resident in the country identified in the public statement of Financial Action Task Force as

I. a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or

II. a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.

In case an investor who has been already on-boarded to scheme of an AIF, does not meet the revised condition as specified at para 2 above, the manager of the AIF shall not drawdown any further capital contribution from such investor for making investment, until the investor meets the said condition.

The circular is available at [https://www.sebi.gov.in/legal/circulars/jan-2024/foreign-investment-in-alternative-investment-funds-aifs\\_80593.html](https://www.sebi.gov.in/legal/circulars/jan-2024/foreign-investment-in-alternative-investment-funds-aifs_80593.html)

*SEBI/HO/AFD/PoD1/CIR/2024/2*

#### **Guidelines for AIFs with respect to holding their investments in dematerialised form and appointment of custodian.**

SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”) have been amended and notified on January 05, 2024, with respect to AIFs holding their investments in dematerialised form and appointment of custodian.

#### **Holding investments of AIFs in dematerialised form.**

In terms of Regulation 15(1) (i) of AIF Regulations, AIFs shall hold their investments in dematerialised form, subject to such conditions as may be specified by the Board from time to time. The said requirement does not apply, inter-alia, to such investments by AIFs and such schemes of AIFs as may be specified by the Board from time to time.

#### **Appointment of custodian for AIFs**

In terms of Regulation 20 (11) of AIF Regulations, the Sponsor or Manager of the AIF shall appoint a custodian registered with the Board for safekeeping of the securities of the AIF, in the manner as may be specified by the Board from time to time.

### Reporting of investments of AIFs under custody

In terms of Regulation 20(11) of AIF Regulations, the custodian shall report or disclose such information regarding investments of the AIF in such manner as may be specified by the Board from time to time.

Guidelines in detail can be found at [https://www.sebi.gov.in/legal/circulars/jan-2024/guidelines-for-aifs-with-respect-to-holding-their-investments-in-dematerialised-form-and-appointment-of-custodian\\_80614.html](https://www.sebi.gov.in/legal/circulars/jan-2024/guidelines-for-aifs-with-respect-to-holding-their-investments-in-dematerialised-form-and-appointment-of-custodian_80614.html)

*SEBI/HO/AFD/PoD/CIR/2024/5*

*Compiled by:*

**CS Mathruka B M**

Practising Company Secretary

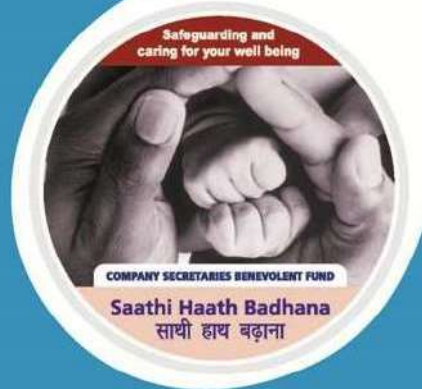
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**THE INSTITUTE OF  
Company Secretaries of India**  
भारतीय कम्पनी सचिव संस्थान  
IN PURSUIT OF PROFESSIONAL EXCELLENCE  
Statutory body under an Act of Parliament  
(Under the jurisdiction of Ministry of Corporate Affairs)

**CSBF**  
COMPANY SECRETARIES  
BENEVOLENT FUND



**Saathi Haath Badhana**  
साथी हाथ बढ़ाना

## What exactly is CSBF?

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

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

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

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

### Is it the right time to enrol in CSBF?

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

### Is it a requirement?

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

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

## Advantages of enrolling into CSBF

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

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

*Decide Now! Decide Wise!*

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