



Vision

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

Motto

सत्यं वद। धर्मं चर। इष्टार्थं कुरु। तृणैः कुरुते। अश्विनं तु कुरुते।

Mission

"To develop high calibre professionals facilitating good corporate governance"

Wednesday, February 14, 2024

Info Capsule

President

CS B Narasimhan

Vice President

CS Dhananjay Shukla

❖ Artificial Intelligence

European Leaders Approve New Rules for Artificial Intelligence Regulation, Await Legislative Assembly Vote in April (February 13, 2024)

European leaders have approved new rules on February 13, 2024 to regulate Artificial Intelligence, ahead of a landmark vote that could pave the way for the world's first legislation on the technology. The rules will also regulate foundation models or generative AI like the one built by Microsoft-backed OpenAI.

According to media reports, two committees in the European Parliament on civil liberties and consumer protection endorsed the provisional legislation to ensure that AI complies with the protection of fundamental rights.

For details:

<https://newsonair.gov.in/News?title=European-Leaders-Approve-New-Rules-for-Artificial-Intelligence-Regulation%2c-Await-Legislative-Assembly-Vote-in-April&id=477193>

❖ Ministry of Corporate Affairs

National Single Window System (NSWS)

Ministry of Corporate Affairs incorporation related services can also be accessed through the National Single Window System (NSWS) by going through the following link:
<https://www.nsws.gov.in/>

For details:

<https://www.mca.gov.in/bin/dms/getdocument?mids=NkaICgCOPXM37dpK8VUeVA%253D%253D&type=open>

❖ Parliament News

President gives assent to bill aimed at checking malpractices in government recruitment examinations (February 14, 2024)

President Droupadi Murmu has given her assent to the Public Examinations (Prevention of Unfair Means) Bill, 2024. The Bill was passed by the Parliament in the recently concluded budget session.

The Bill is intended to prevent unfair means in the public examinations. Public examinations refer to examinations conducted by the Union Public Service Commission, Staff Selection Commission, Railway Recruitment Board, National Testing Agency, and Departments of the central government. The Bill intended to prohibit collusion or conspiracy to facilitate indulgence in any unfair means. Unfair means include, unauthorised access or leakage of question paper or answer key, assisting a candidate during a public examination, tampering with computer networks, conducting fake examination, issuing fake admit cards and offer letters. The objective of the Bill is to bring greater transparency, fairness and credibility to the public examination systems and to reassure the youth that their sincere and genuine efforts will be fairly rewarded and their future is safe. Candidates as defined in the Bill will not be liable for action within the purview of the Bill and will continue to be covered under the extant administrative provisions of the concerned public examination authority. As per the provisions of the Bill, committed offence will be punishable with imprisonment between three to ten years, and a fine up from ten lakh to one crore rupees. All offences under the Bill will be cognisable, non-bailable, and non-compoundable.

For details:

<https://newsonair.gov.in/News?title=President-gives-assent-to-bill-aimed-at-checking-malpractices-in-government-recruitment-examinations&id=477203>

❖ Capital Market and Securities Laws

• SEBI Settlement Order in the matter of Binny Limited (February 13, 2024)

SEBI initiated adjudication proceedings under Section 15HB of the SEBI Act, 1992 and Section 23E of the Securities Contract (Regulation) Act, 1956 against four Independent Directors (Noticees) of Binny Limited. It was alleged that Noticees, being independent directors of the company did not act independently in the interests of shareholders, but merely acted on the directions of the company and its executive management. Therefore, the Noticees failed in their duty as a member of the Audit Committee to perform the duties specified under Clause 49(III)(D) of the listing agreement, Section 21 of SCRA and Regulation 18(3) read with Part C of Schedule II of LODR Regulations.

Pending Adjudication Proceedings, the Noticees proposed to settle the instant proceedings initiated against them, without admitting or denying the findings of facts and conclusions of law, through a settlement order and filed settlement applications with SEBI. They have collectively paid over Rs 42 lakh as settlement fees.

In view of the above, the instant adjudication proceedings initiated against the Independent Directors of Binny Limited is disposed of by SEBI in terms of Section 15JB of the SEBI Act read with Regulation 23(1) of the Settlement Regulations on the basis of the settlement terms.

For details:

<https://www.sebi.gov.in/>

• SEBI cautions public against dealing with unregistered entities (February 13, 2024)

SEBI has observed a rising trend of unscrupulous entities and online platforms that falsely claim to be registered with SEBI as intermediaries. These entities often entice the general public by showcasing fake certificates purportedly issued by SEBI and promising or implying assured, high returns on investments. SEBI cautions investors against placing their money with any entity based on such claims. Investors are urged to conduct due diligence and verify the registration status of any entity claiming to be a SEBI-registered intermediary. It is imperative for investors to understand that investments offering high returns usually involve high risk including fraud risk and there can be no guarantees of assured returns in the securities market.

For details:

https://www.sebi.gov.in/media-and-notifications/press-releases/feb-2024/sebi-cautions-public-against-dealing-with-unregistered-entities_81395.html

❖ Market Watch

Stock Market Indices as on 14.02.2024		Foreign Exchange Rates as on 14.02.2024 (https://m.rbi.org.in/scripts/ReferenceRateArchive.aspx)			
S & P BSE Sensex	71822.83 (+267.64)	INR / 1 USD	INR / 1 EUR	INR / 1 GBP	INR / 1 JPY
Nifty 50	21840.05 (+96.80)	83.08	89.05	104.76	.55

❖ *Insolvency and Bankruptcy*

• **Insolvency and Bankruptcy Board of India (Liquidation Process) (Amendment) Regulations, 2024 (February 13, 2024)**

To strengthen the regulatory framework of the liquidation process, certain key amendments have been made to the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016. These changes are aimed at facilitating a smoother process for liquidation, ensuring accountability, and bolstering the confidence of stakeholders in the liquidation process.

Key amendments include:

1. The liquidator may reduce the reserve price by up to 25% for assets with existing valuation of the Corporate Insolvency Resolution Process (CIRP) on one occasion with the approval of the Stakeholders' Consultation Committee (SCC) at any time during the process. For assets where fresh valuation is conducted during liquidation, the reserve price can be reduced by up to 10% in subsequent auctions with SCC's approval.
2. The liquidator may sell the assets of the corporate debtor (CD) by means of private sale only upon prior consultation with SCC, and the successful buyer shall be confirmed only after such consultation. Further, the option for the private sale of an asset, i.e., 'the asset is sold at a price higher than the reserve price of a failed auction' by the liquidator, has been removed.
3. Liquidators are mandated to convene SCC meetings with a maximum interval of 30 days, to ensure timely decisions and oversight. However, the SCC may reduce the frequency of meetings if deemed necessary, provided that at least a minimum of one meeting is held per quarter. Decisions during these meetings are to be taken based on present and voting members.
4. At every SCC meeting, liquidators are required to present a comprehensive report which inter alia includes progress made in the liquidation process, the consolidated status of all legal proceedings, and cumulative costs incurred during the process. Any cost overruns beyond initial estimates must be justified with a rationalization plan.
5. For fresh asset valuations, liquidators are required to facilitate meetings where registered valuers explain their methodology and reasons for significant deviations, if any, from the CIRP valuations. Further, the liquidator shall share the valuation reports with the SCC members after obtaining a confidentiality undertaking.
6. Before initiating or continuing any legal proceedings, liquidators must consult the SCC, presenting the economic rationale.
7. The liquidator, upon considering the viability, must consult the SCC before deciding to run the affairs of the corporate debtor as a going concern. Further, the sale of the CD as a going concern cannot be put on an auction exclusively after the first auction, and in case of a failed auction, the liquidator shall review the marketing strategy in consultation with the SCC.
8. Prior to applying for early dissolution, the liquidator must seek the SCC's views and recommendations, providing a detailed report in the application to the Adjudicating Authority (AA).
9. To capture additional details regarding the realisation and distribution made during the process, the Compliance Certificate under Form H has been modified.
10. The liquidator shall file the proposal of compromise or arrangement only in cases where the Committee of Creditors made such a recommendation during the CIRP and such proposal shall not be filed after the expiry of thirty days from the liquidation commencement date.
11. The liquidator may extend the payment period of balance sale consideration beyond ninety days, after consultation with the SCC.
12. Wherever the corporate debtor has given possession to an allottee in a real estate project, such asset shall not form a part of the liquidation estate of the corporate debtor.

For details: <https://ibbi.gov.in/uploads/press/238287e0bf8274f248fb2582e7aa1fac.pdf>

- **Reporting / Sharing of information in the Voluntary Liquidation process (February 13, 2024)**

Compliances for initiation of Voluntary Liquidation of a Financial Service Provider

The Code provides for the voluntary liquidation process of corporate persons. However, the definition of 'corporate person' in sub-section (7) of section 3 excludes any financial service provider (FSP). Section 227 read with the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 allows FSPs who have been notified by the Central Government, after consulting financial regulators, to undergo a voluntary liquidation process after obtaining prior permission of the appropriate regulator. It has been noted that some FSPs have commenced the voluntary liquidation process without notification and / or prior permission of the appropriate financial regulator.

Accordingly, it is hereby directed that the liquidator shall ensure that, if the corporate person falls under the category of financial service provider, it shall declare that: (i) the category of Financial Service Providers has been notified by the Central Government under section 227 of the Code, and (ii) the corporate person has obtained prior permission from the appropriate regulator. Sharing of final report, Form H, and dissolution order with IBBI.

It is hereby directed that the liquidator shall submit a copy of Form H and the final report filed before the Adjudicating Authority as per Regulation 38, and the order for dissolution to the Board to the email ID: liqvol@ibbi.gov.in.

For details:

<https://ibbi.gov.in/uploads/legalframework/10b40f99875af3eceda569e977c2d1a6.pdf>

- **Deposit and withdrawal of unclaimed dividends and / or undistributed proceeds in accordance with regulation 39 of the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017(February 13, 2024)**

Regulation 39 of the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017 provides a framework for the management of unclaimed deposits and undistributed proceeds during the voluntary liquidation process. As per the regulation, liquidators are mandated to deposit unclaimed / undistributed amounts into the Corporate Voluntary Liquidation Account and inform the Insolvency and Bankruptcy Board of India (IBBI / Board) in Form-G containing the details regarding the stakeholders entitled to such deposited amount.

To facilitate the request received from a stakeholder, under regulation 39(7), who claims to be entitled to any amount deposited into the Corporate Voluntary Liquidation Account for withdrawal before the dissolution of the corporate person, the liquidator shall apply to the Board in the specified form, for the release of the amount for onward distribution to the stakeholders.

For details:

<https://ibbi.gov.in/uploads/legalframework/e0eb050c966002846267b7ef7e9fd5de.pdf>

Prepared by Directorate of Academics

For any suggestions, please write to academics@icsi.edu.

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