

CHARTERED SECRETARY

THE JOURNAL FOR GOVERNANCE PROFESSIONALS



BUDGET 2022



Emerging Financial Transformation & Today's Professionals



CS DEVENDRA V. DESHPANDE
PRESIDENT, ICSI



CS MANISH GUPTA
VICE PRESIDENT, ICSI



THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

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CHARTERED SECRETARY GREETES AND CONGRATULATES

CS DEVENDRA V. DESHPANDE AND CS MANISH GUPTA ON THEIR ELECTION AS
PRESIDENT AND VICE PRESIDENT RESPECTIVELY OF THE INSTITUTE FOR THE YEAR 2022-23



CS Devendra V. Deshpande, President, The ICSI

A Fellow Member of the ICSI and a Post Graduate in Commerce from Pune University, CS Devendra V Deshpande was elected to the Central Council of the ICSI for the term 2019 - 2022. He was the Chairman of ICSI Centre for Corporate Governance, Research and Training (CCGRT), Mumbai and ICSI Centre of Excellence (CoE), Hyderabad in the 2020. He is a Nominee Director at ICSI IIP.

CS Deshpande also headed the Information Technology Committee of the ICSI for the year 2019. He was a member of various committees constituted by ICSI including Executive Committee, Corporate Laws and Governance Committee, Training & Educational Facilities Committee, Placement Committee, PMQ Course Committee, Election Reforms Committee, and International Affairs Committee for the year 2019.

He has been actively associated with the Institute since 2004. Elected to the WIRC of ICSI, for the term 2015 –18, he served as Chairman of Pune Chapter of WIRC of ICSI in the year 2013 and was an active Managing Committee member for the period from 2007 - 2014. CS Devendra V Deshpande has been a practicing Company Secretary since 2004 and specialises in the field of Corporate Laws, Foreign Exchange Laws, Audits under Company Law and Allied Laws, Secretarial Audit and Corporate Restructuring.



CS Manish Gupta, Vice President, The ICSI

A fellow member of the ICSI, CS Manish Gupta is a Law Graduate and has a Master's Degree in Commerce. He has been associated with the profession of Company Secretaries for the last 18 years, as a Practicing Company Secretary.

He was elected to the Central Council of the ICSI for the term 2019-2022 and served as the Chairman of the PCS Committee of the ICSI in 2021 and 2019 and PMQ Course Committee of the ICSI in 2021 and 2020, before being elected as the Vice-President of the ICSI for the year 2022.

Mr. Gupta is also registered as an Insolvency Professional with the Insolvency & Bankruptcy Board of India and is empanelled as Arbitrator with Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange Ltd. (NSE). He is also empanelled as Mediator or Conciliator under the provisions of the Companies Act, 2013 with various Regional Directors.

He specialises in handling complex assignments on Corporate Law, Securities Law and Taxation Law. He is a regular speaker at training programmes held for students and members of the ICSI.

He was elected to the Northern India Regional Council of Institute of Company Secretaries of India for two consecutive terms in 2011-2014 and 2015-2018 and was unanimously elected as the Chairman of NIRC of ICSI for the year 2016.

CS Deshpande elected ICSI president, Gupta vice prez

OUR CORRESPONDENT
WITH AGENCY INPUS
NEW DELHI, JAN 20

CS Devendra V Deshpande was elected as president of the ICSI, while CS Manish Gupta, as vice-president for the year 2022.

With over 15 years of experience as a Practicing Company Secretary, Deshpande specialises in the field of Corporate Laws, Foreign Exchange Laws, Audit under Company Law and other Allied Laws, Secretarial Audit and Corporate Restructuring.

A fellow member of the ICSI, CS Manish Gupta is a Law Graduate and has a Master's Degree in Commerce. He has been associated with the profession of Company Secretaries for last 18 years, as a Practicing Company Secretary.



CS Devendra V Deshpande



CS Manish Gupta

He was elected to the Central Council of the ICSI for the term 2019-2022 and served as the Chairman of the PCS Committee of the ICSI in 2021 and 2019 and PMQ Course Committee of the ICSI in 2021.

Devendra Deshpande elected ICSI President

AGENCIES
Mumbai



CS Devendra V Deshpande, elected as President and CS Manish Gupta, elected as Vice President of the Institute of Company Secretaries of India for the year 2022 with effect from 19th January 2022.

A Fellow Member of the ICSI and a Post Graduate in Commerce from Pune University, CS Devendra V Deshpande was elected to the Central Council of the ICSI for the term 2019-2022 and served as Vice-President of The ICSI for the year 2021 before being elected as President, the ICSI for the year 2022.

With over 15 years of experience as a Practicing Company Secretary, he specialises in the field of Corporate Laws, Foreign Exchange Laws, Audit under Company Law and other Allied Laws,

Secretarial Audit and Corporate Restructuring.

A fellow member of the ICSI, CS Manish Gupta is a Law Graduate and has a Master's Degree in Commerce. He has been associated with the profession of Company Secretaries for last 18 years, as a Practicing Company Secretary.

He was elected to the Central Council of the ICSI for the term 2019-2022 and served as the Chairman of the PCS Committee of the ICSI in 2021 and 2019.



Mr. CS Devendra V. Deshpande elected as President of ICSI for the year 2022

20 Jan 2022 | Mr. CS Devendra V. Deshpande elected as President of ICSI for the year 2022 | Company Law | News | 93 Views

The Institute of Company Secretaries of India has notified the new President and Vice President for the year 2022. CS Devendra V. Deshpande was elected as President, ICSI and CS Manish Gupta as Vice President, ICSI for the year 2022.



Newsroom > ICSI elects Devendra V Deshpande as president and ...

ICSI elects Devendra V Deshpande as president and Manish Gupta as vice-president for 2022

Pub | Posted on Thursday, January 20, 2022 13:11

The newly elected president and vice-president have started their term from January 19, 2022



The Institute of Company Secretaries of India (ICSI) has elected Devendra V Deshpande as president and Manish Gupta as vice-president for 2022.

Devendra V Deshpande is a postgraduate in Commerce from Pune University. Earlier, Deshpande was elected to the Central Council of the ICSI for the terms 2019-2022 and served as vice-president of ICSI for 2021 before being elected as president, ICSI for 2022.

He has been actively associated with ICSI since 2004 and was elected to the WIRC of the ICSI for the term 2015-18. He served as chairman of Pune chapter of WIRC of ICSI in 2013 and was an active managing committee member from 2007-2016.

Deshpande specialises in the field of corporate laws, foreign exchange laws, audit under company law and other allied laws, secretarial audit, and corporate restructuring.

Manish Gupta is a Law graduate and has a Master's degree in Commerce. He has been associated with the profession of company secretaries for the last 18 years as a practicing company secretary.

Gupta was elected to the Central Council of ICSI for the term 2019-2022. He served as the chairman of PCS Committee of ICSI in 2021 and 2019 and PMQ Course Committee of the ICSI in 2021 and 2020, before being elected as Vice-president of ICSI for 2022.

He specialises in corporate law, securities law, and taxation law.

StudyCafe

CS DEVENDRA V. DESHPANDE ELECTED AS PRESIDENT OF ICSI FOR THE YEAR 2022

Home | CS | CS Devendra V. Deshpande elected as President of ICSI for the year 2022

StudyCafe | Jan 19, 2022 | Views 23144



CS Devendra V. Deshpande elected as President of ICSI for the year 2022

The Institute of Company Secretaries of India [ICSI] has declared the new President and Vice President of the Institute for the year 2022.

CS Devendra V. Deshpande has been elected as President of the Institute for the year 2022.

CS Manish Gupta has been elected as Vice President of the Institute for the year 2022.

PROFILE OF DEVENDRA V DESHPANDE

A Fellow Member of the ICSI and a Post Graduate in Commerce from Pune University, CS Devendra V. Deshpande was elected to the Central Council of the ICSI for the term 2019 - 2022. He was the Chairman of ICSI Centre for Corporate Governance, Research and Training (CCGRT), Mumbai and ICSI Centre of Excellence (CoE), Hyderabad in 2020. He is a Nominee Director at ICSI IIP, CS Deshpande also headed the Information Technology Committee of the ICSI for the year 2019. He was member of various committees Constituted by ICSI including Executive Committee, Corporate Laws and Governance Committee, Training & Educational Facilities Committee, Placement Committee, PMQ Course Committee, Election Reforms Committee and International Affairs Committee for the year 2019.

ELECTION OF ICSI PRESIDENT AND VICE PRESIDENT FOR THE YEAR 2022-23





- 1 ICSI delegation led by CS Devendra V. Deshpande, the newly elected President and CS Manish Gupta, the newly elected Vice President of ICSI met Shri Rajesh Verma, Secretary, Ministry of Corporate Affairs. Also seen CS Ashish Garg, CS Nagendra D. Rao and CS Ranjeet Pandey.
2. CS Devendra V. Deshpande met Shri Ranjeetsingh Naik Nimbalkar, MP, Lok Sabha and apprised him about ICSI and its various initiatives.
3. CS Devendra V. Deshpande, President of ICSI and CS Manish Gupta, Vice President of ICSI met CA Nihar N Jambusaria, President ICAI, CMA P. Raju Iyer, President and CMA Vijender Sharma, Vice President of The Institute of Cost Accountants of India.
4. CS Devendra V. Deshpande and CS Ashish Mohan met with Past Presidents of ICSI.
5. Felicitation of CS Devendra V. Deshpande at Pune Chapter of WIRC of ICSI.
6. Felicitation of CS Devendra V. Deshpande at Kolhapur Chapter of WIRC of ICSI. Group photo of CS Pawan Chandak, CS Aishwarya Toraskar and ICSI officials.
7. CS Devendra V. Deshpande addressing a press conference held at Kolhapur Chapter of WIRC of ICSI.



- 8 73rd Republic day celebration at ICSI House, Lodi Road. Group photo of CS Devendra V. Deshpande, CS Ranjeet Pandey, CS Hitender Mehta, CS Asish Mohan and ICSI officials.
- 9 Felicitation of CS Devendra V. Deshpande at Sangli Study Circle of ICSI.
- 10 CS Devendra V. Deshpande addressing a Seminar on “Union Budget 2022” organised by ICSI-Thane Chapter on 5th February 2022.
- 11 13th Southern India Regional Conference of Practicing Company Secretaries, hosted by ICSI Hyderabad Chapter held on 15th January 2022 at Hyderabad. CS Nagendra D Rao, Immediate Past President, ICSI, Prof D Ravinder, Hon’ble Vice-Chancellor, Telangana University, and other dignitaries standing on the Dais.
- 12 ICSI CoE Hyderabad Solar Plant Inauguration by CS Nagendra D Rao, Immediate Past President, ICSI on Saturday, 15th January 2022.
- 13 45th Regional Conference of Company Secretaries of SIRC on the Theme “CS: From Compliance to Governance” Hosted by Kochi Chapter on 13th January, 2022 at Kochi.
- 14 Felicitation of Dr. Mrinal Kinker for the empanelment of Kinker Hospital with ICSI Kota Chapter on 26th January, 2022



वक्रतुण्ड महाकाय सूर्य कोटी समप्रभा।
निर्विघ्नं कुरु मे देव सर्व-कार्येषु सर्वदा॥



Dear Professional Colleagues,

With this shloka above, invoking the blessings of Lord Ganesha, the Vighnaharta and Sukhakarta, the Lord of New Beginnings, I feel extremely invigorated, exhilarated and delighted at the same time, as I sit to pen down my first address to you through the pages of this Journal, which in itself has a history of 5 decades. Being sworn in as the President of the Institute of Company Secretaries of India, my own alma mater, while bestowing upon me host of responsibilities has accorded me with the pleasure of connecting with all of you, sharing my thoughts, opinions, views and dreams – dreams for the profession, the Institute and the Nation...

ICSI – The journey of legacies

*“An inheritance is what you leave with people.
A legacy is what you leave in them.”*

The Institute of Company Secretaries of India with its history of more than 5 decades has not only aced in its role as the pioneer of pursuing good governance, rather it has spawned good governance in areas beyond corporate governance and has sprawled good corporate governance beyond the boundaries of this nation. An Institute which intends to soar skies and expand extensively with its vision to be a global leader in promoting good corporate governance and mission to develop high calibre professionals facilitating good corporate governance; the ICSI is also an institution which not only takes pride in its roots in ancient history but also intends to take it along in its journey forward by way of its

motto, sourced from the Taittiriya Upanishad, सत्यं वद। धर्मं चर।
(Speak the Truth and Abide by the Law).

Although, the legacy of governance finds its roots and place in the most ancient of scriptures, the legacy of the profession and the Institute is one that each one of us has to shoulder. Taking the baton from my predecessors, it goes without saying that the journey ahead is one of combined effort, cohesive though and synchronised action. Extending my most humble regards to those who have lent magnanimity to the Chair before me and raised the bars and standards to millennial heights, I assure each one of you to put in efforts to the best of my abilities in taking the Institute and the Profession to even greater heights. And it gives me immense honour to have received the benign blessings of the Past Presidents who came in and enraptured me with their presence, strength and assuring me to be the guiding light to show us the way ahead...

As I mention legacies, I cannot help but be deeply saddened by the untimely demise of a fellow Council member and a truly great friend and guide, CS Deepak Khaitan. A man of vision and a man of dedicated action, not only will his wisdom and distinct approach be missed at the Council discussions but the warmth of his friendship will be missed for life. Deepak Bhai will be a legacy forever cherished in the history of ICSI. Om Shanti...

Welcomes aplenty – An ecstatic new beginning

वसुधैव कुटुम्बकम्

The moment of election to the Central Council is one that brings with it a change in the mind-set and even further in the accountability. Sharing space with fellow members from across the Region, a realisation is shared that the decisions taken across this table shall impact the lives of students and

the journey of professionals and our stakeholders across the nation. Designation to the chair of the President, heightens the thought manifold...

As I began my journey of responsibility and accountability towards each one of you, it gives me a sense of extreme honour and elation to have taken my first steps with the best wishes of the Secretary, Ministry of Corporate Affairs, Shri Rajesh Verma Ji and Shri Ranjeetsingh Naik Nimbalkar, MP, Lok Sabha – their words of guidance shall go a long way in our way forward. Next in line, I would like to thank all of you for the warmth filled welcomes bestowed upon me. The felicitations in my home town Pune, followed by those accorded at the Sangli Study Circle and Kolhapur Chapter as well as that in online mode by WIRC were indeed endearing. The meetings, conversations and celebrations, both in physical and online mode with EIRC, Chandigarh, Goa, Gurugram & Thane Chapters and Mathura Study Circle, were not only heart-warming but bubbling with youthful energy and experienced wisdom. The celebrations it swells my heart with pride that with our presence spread across the entire nation, our hearts our spun in unison and a unique dedication to serve the profession and the nation.

Union Budget – 2022: An Aatmanirbhar Bharat in making

दायित्वा करं धर्म्यं राष्ट्रं नित्यं यथाविधि।
अशेषान्कल्प येद्रज योगक्षेम आनंदितः

Mahabharata: Shanti Parva: Adhyaya 72: Shloka 11

(The king must make arrangements for the welfare of the populace by way of abandoning any laxity and by governing the state in line with Dharma, along with collecting taxes which are in consonance with the Dharma.)

Quoting this verse shared by the Hon'ble Finance Minister, Smt. Nirmala Sitharaman Ji during her Union Budget speech, it is indeed heartening to witness that the lawmakers have gone through extensive brainstorming to arrive at focal points which shall be paving the way for the creation of an Aatmanirbhar Bharat. The setting up of 75 digital banking units in 75 districts, the National Tele Mental Health Programme to counter the mental health problems accentuated by the pandemic, the expansion plan for the nation through infrastructural developments and the radical move to empower the Central Bank to issue digital currencies based on blockchain and other technologies – all point towards a dedicated action plan to not only combat the various issues grappling the society but an attempt to render the nation as a global super power. On behalf of all the professionals and the Institute of Company Secretaries of India, we welcome the Union Budget for the Financial Year 2023 which upholds the Government's mantra of Minimizing Government and Maximizing Governance.

Way Forward: The road in making

Abraham Lincoln said and I quote, "The best way to predict your future is to create it." While the forefathers of the Institute have given us a vision and mission to be the constant guide, yet it falls upon us to create aims and goals to continually strive towards achieving these and transforming dreams into realities. As I set down the actionable points for the year

ahead, I welcome on board the Chairpersons and Managing Committees of all the Regions and Chapters of ICSI to extend their wholehearted support towards achievement of these objectives:

- Developing **CS into a preferred professional** – wherein the intent is to undertake and roll out various capacity building activities in core and non-core areas.
- **Zero grievance target** for Students Members employees across chapters and regions.
- Complete overhaul of the **Syllabus** – A 360° change in the manner in which students shall be getting their degree.
- Creating a **Mentor-Mentee** relationship – A platform to bring together the young professionals in contact with the senior Company Secretaries for handholding in developing stronger foundations and bases.
- Creating a dedicated and sustainable Framework for **Multi-Disciplinary Partnership firms** and coordination with sister Institutes for development of MDPs.
- Close coordination with various Government departments and Ministries for professional development as well as nation building
- Creation of a platform for members for **strengthening digital bases** by communicating glitches and technical issues facing while discharging their duties.
- Opening of an **Arbitration Institute** to provide facilities for alternative dispute resolution (ADR) and other allied services.
- Strengthening and expanding **Overseas Presence** by way of ICSI Overseas Centres and Overseas Placement initiatives.

Extending my heartfelt congratulations to all the members on the new recognitions received from the Securities and Exchange Board of India (SEBI) to issue a Certificate of Compliance to the issuer certifying that the proposed preferential issue is being made in accordance with the SEBI (ICDR) Regulations, 2018 and the International Financial Services Centres Authority (IFSCA) to certify the average annual turnover and net worth of the entity so as to be permitted to act as a "Qualified Jeweller" and to provide a certificate that all the requirements of the Act, rules and Regulations, and circulars have been complied with by the applicant to become an 'Insurance Web Aggregator', I truly hope and wish that the times to follow shall find us gaining much more accolades in the form of recognitions from various Ministries and Government Departments.

Hoping for a wonderful year together ahead !!!

Happy reading !!!

Yours Sincerely



CS Devendra V. Deshpande
President, ICSI

INITIATIVES UNDERTAKEN DURING THE MONTH OF JANUARY, 2022

INITIATIVES FOR MEMBERS

RECOGNITIONS RECEIVED

During the month of January, 2022, following recognitions were accorded to the profession:

- Practising Company Secretaries have been authorized under the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 issued vide Gazette Notification dated 14th January, 2022, to issue a Certificate of Compliance to the issuer certifying that the proposed preferential issue is being made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- The International Financial Services Centres Authority (IFSCA) in its Circular 329/IFSCA/DPM/TS/QJ/2021-22/1 dated 19th January, 2022 pertaining to Qualified Jewellers importing gold through India International Bullion Exchange has authorized Practising Company Secretaries to certify the average annual turnover in the last 3 financial years and net worth of the entity so as to be permitted to act as a "Qualified Jeweller".

REPRESENTATIONS SUBMITTED

During the month of January, 2022, following representations were submitted with various Regulatory Authorities:

Purpose	Authority	Date
Request for exempting Company Secretaries from restrictions imposed vide Para 4(i) of DDMA order F. No. 60/DDMA/COVID-19/2021/509 dated 11.01.2022	Delhi Disaster Management Authority	January 14, 2022
Request to facilitate setting up of a new Office of Regional Director at Bengaluru	MCA	January 18, 2022
Views and Suggestions on IRDAI Exposure Draft on 'Guidelines on Remuneration of Non-Executive Directors and Managing Director/Chief Executive Officer/ Whole-time Directors of Insurance Companies'	IRDAI	January 19, 2022
Request for charging no fee for filing of Form DIR-5 for surrender of DIN (Director Identification Number) in case of death of a director	MCA	January 21, 2022

49TH NATIONAL CONVENTION OF COMPANY SECRETARIES

The 49th National Convention of Company Secretaries was inaugurated on 6th January, 2022, at The Bangalore Palace, Bengaluru, on the theme "Good Governance: The Universal Dharma" in the august presence of Shri Thaawarchand Gehlot, Hon'ble Governor, Karnataka as the Chief Guest, Shri Basavaraj Bommai, Hon'ble Chief Minister, Karnataka as the Guest of Honour and Smt. Smriti Zubin Irani, Hon'ble Minister, Ministry of Women & Child Development, Government of India, as Special Guest. The annual congregation also witnessed the benign presence of His Highness Shri Yaduveer Krishnadatta Chamraja Wadiyar, Maharaja of Mysore in a Special Session organised on the 2nd day of the Convention. Six Technical Sessions were also organised during the Convention, which witnessed presence of speakers and panelists comprising Hon'ble Judges, industry experts, academicians, etc. The Valedictory Session which was conducted in Virtual Mode was presided over by Swami Sri Veereshananda Saraswathi, President, Ramakrishna Vivekananda Ashrama, Tumakuru, Karnataka. An MoU was signed with the Bank of Baroda for providing Special Offers in Loan Products exclusively for Company Secretaries. A number of releases at the hands of esteemed dignitaries during the Convention.

ORIENTATION SESSION OF PMQ COURSES

Orientation Session of PMQ Courses was conducted on 28th January, 2022 in order to make all the candidates registered across PMQ Courses as launched by the ICSI, familiar with the course structure, e-Learning portal of the ICSI etc. More than 70 candidates have registered in the flagship Post Membership Qualification (PMQ) courses of ICSI launched on subjects like Corporate Governance, Internal Audit and Arbitration. The Orientation Session was graced by CS Manish Gupta, Vice-President, ICSI and CS NPS Chawla, Council Member, ICSI.

COMMENCEMENT OF ONLINE SESSIONS FOR PMQ COURSES

The online web based sessions of PMQ Courses on Corporate Governance and Arbitration kick started from Saturday 29th January, 2022 and for PMQ Course on Internal Audit from 30th January 2022. There will be total 15 live web based sessions that will be conducted for these PMQ Courses on each Saturday and Sunday for 2 hours each on every important aspect of subject. These sessions are delivered from the industry & subject experts.

OPENING OF REGISTRATIONS FOR PMQ COURSES

The registrations for Post Membership Qualification (PMQ) Courses on Corporate Governance, Internal Audit and

Arbitration December 2022 attempt are open and the last date to register for December 2022 attempt is 30th June 2022.

REFERENCE MATERIAL FOR CERTIFICATE COURSES

The ICSI launched and conducted certificate courses on subjects like Securities Laws, Corporate Restructuring, Commercial Contract Management, Intellectual Property Rights and FEMA for its members, students and other professionals. The Institute in order to provide structured learning decided to provide study material to the registered participants. In view of same, the reference materials for all the five certificate courses, were launched in the 49th National Convention held from 6-8th January 2022 in Bengaluru.

GUIDANCE NOTE ON INDEPENDENT DIRECTORS (REVISED EDITION)

The effectiveness of the institution of independent directors can be improved to a great extent if independent directors are made aware of the issues, challenges, responsibilities, statutory duties, liabilities and expectations associated with their position. Keeping this in mind, the ICSI has introduced a comprehensive Guidance Note on Independent Directors in the year 2020. Subsequent to the release of the Guidance Note on Independent Directors certain provisions of the Companies (Amendment) Act, 2020 were notified by the MCA and major amendments were introduced in the SEBI (LODR) Regulations, 2015 to further strengthen the institution of independent directors.

In this backdrop, the revised edition of Guidance Note on Independent Directors was released by the ICSI at the gracious hands of Shri Thaawarchand Gehlot, Hon'ble Governor of Karnataka and Chief Guest at the 49th National Convention of Company Secretaries at Bengaluru on 6th January, 2022.

GUIDANCE NOTE ON PREVENTION OF INSIDER TRADING (REVISED EDITION)

SEBI (Prohibition of Insider Trading) Regulations, 2015 aim to strengthen the legal framework for prevention of insider trading in India and significant responsibilities are cast on the shoulders of compliance officers to ensure applicable compliances, which requires deep understanding of the subject. Subsequent to the release of the Guidance Note on Prevention of Insider Trading in the year 2020, major amendments were introduced by SEBI in the PIT Regulations and a need was felt to formulate revised edition of the Guidance Note to provide updated guidance on the subject to all stakeholders

In this backdrop, the revised edition of Guidance Note on Prevention of Insider Trading was released by the ICSI at the gracious hands of Shri Basavaraj Bommai, Hon'ble Chief Minister of Karnataka and Guest of Honour at the 49th National Convention of Company Secretaries at Bengaluru on 6th January, 2022.

REFERENCER ON SEBI (DELISTING OF EQUITY SHARES) REGULATIONS, 2021

The SEBI (Delisting of Equity Shares) Regulations, 2021 were issued on June 10, 2021, superseding the erstwhile SEBI (Delisting of Equity Shares) Regulations, 2009. Under the Delisting Regulations, 2021, SEBI has accorded recognition to the profession of Company Secretaries by exclusively authorizing a "Peer Review Company Secretary" to conduct due diligence and certify shares held by inactive shareholders. In view of the same and to apprise the professionals, the publication containing comparative analysis of the erstwhile and the Delisting Regulations, 2021, suggestive formats, checklists, etc. has been rolled out by ICSI which could be used as a ready reference by members while issuing Due Diligence Report and Certification for shares held by inactive shareholders.

KEY DIGITAL TECHNOLOGIES: A HANDBOOK FOR PROFESSIONALS

Emerging technologies are playing a vital role in the modernization of corporate, industries and the Government sector. Technology is indeed one of the fastest-growing agents in the present world than ever before. While helping in business transformation, new technologies will have a profound impact on the profession of Company Secretaries in the future. The Institute with a view to equip members with necessary know-how has released a publication titled **Key Digital Technologies: A Handbook for Professionals**. It is an endeavour to give an overview about the growing trend towards emerging technologies like Artificial Intelligence, Blockchain, Big Data, Internet of Things, etc. to enable members to embrace these digital technologies in their work to remain ahead in the digital age.

MEGA PLACEMENT DRIVE – JANUARY, 2022

The Institute organised Mega Placement Drive in the month of January, 2022 across all 4 regions in virtual mode. The Mega Placement Drive was conducted through Video links where the recruiters connected with the candidates through online video platforms. Around 350 members across the nation registered and appeared in the Drive, and they appeared for multiple interviews through assigned Timeslots.

Region	Date	Recruiters Participated	Members Registered	Shortlisted
WIRC	4 th January, 2022	9	110	39
NIRC	10 th January, 2022	20	153	25
EIRC	14 th January, 2022	10	41	21
SIRC	29 th January, 2022	15	39	In Process

PLACEMENTS MADE THROUGH ICSI

The Institute in its attempt to provide connect between corporates and budding governance professionals undertakes activities to provide good placement opportunities to its members. 5 (Five) of the ICSI members have been recently placed with GAIL (India) Limited, Vedanta Group, Haridwar Natural Gas Pvt. Ltd. and Svatantira Microfin Private Limited – A+ (CRISIL) with an LPA ranging between 7-20 LPA.

ICSI SIRC CONVOCATION (SECOND ROUND) ON 12TH JANUARY, 2022 AT KOCHI

The second bi-annual Convocation of FY 2021-22 for Southern Region was organized on 12th January, 2022 at the Hotel Monsoon Empress, Kochi, Kerala. A total of 4 Fellow and 71 Associate members were awarded membership certificates. Prof. (Dr.) K.N Madhusoodanan, Vice Chancellor, Cochin University of Science and Technology was the Chief Guest on the occasion.

JOINT PROGRAMMES

The ICSI joined in the webinars organized by PHD Chamber of Commerce as under:

- Webinar on topic “Shadow Budget: 2022-23” on January 11, 2022.
- Webinar on GST ITC – Litigations, Divergent Rulings and Way Forward on 21st January, 2022.

ICSI INSTITUTE OF INSOLVENCY PROFESSIONALS

• Pre-Registration Educational Course

Pursuant to Regulation 5(b) of the IBBI (Insolvency Professionals) Regulations, 2016, individuals are eligible to register themselves as Insolvency Professionals (IP) only after undergoing through the mandatory 50 hours Pre-Registration Educational Course from an Insolvency Professional Agency after his/her enrolment as a Professional Member. ICSI IIP jointly with the other three Insolvency Professional Agencies conducted one batch of pre-registration educational course from **15th January to 21st January, 2022.**

• Workshops Organized

- “Pre-Packaged Insolvency Resolution Process” on 8th January, 2022
- “Managing the Affairs of Corporate Debtor by IRP/ RP under IBC” on 15th January, 2022
- “IBC vis-à-vis Prevention of Money Laundering Act, 2002” on 22nd January, 2022
- “Role of Related Party Under IBC, 2016” on 29th January, 2022

• Roundtable discussion

ICSI IIP organised roundtable discussion on “MCA notice dated 23rd December, 2021 on proposed changes in CIRP and Liquidation provisions under IBC” on 13th January, 2022

ICSI REGISTERED VALUERS ORGANISATION

• Online 50 Hours of Educational Courses

ICSI RVO had conducted Online 50 Hours of Educational Course from 6th to 9th January, 2022 & 21st to 23rd January, 2022.

• Continuous Educational Programme (CEP)

The Company has conducted Continuing Professional Education Programme (CPE) on the following dates on:

- 15th January, 2022 on “Financial Valuation of Brand”
- 29th January, 2022 on title- “Valuation for Merger and Acquisition”

• Refresher Course

ICSI RVO had conducted a “Refresher Course on Valuation Application” (7 Hours) on 8th January, 2022.

INITIATIVES FOR STUDENTS

YUVOTSAV-2022

Yuvotsav-2022, the National Conference of Student Company Secretaries was organised on 12th January 2022 through virtual mode. Students from various Regional/Chapter Offices participated in the event. Around 22 competitions were organised during the Yuvotsav-2022 in online mode and around 46 Regional/Chapter offices participated in Yuvotsav. Legal Puzzle, Elocution Competition, and Debate Competition were some of the competitions held during Yuvotsav-2022. Online Competitions were also organized exclusively for the students of Universities/Colleges/Institutes with whom ICSI has MoU. Online quiz competition, Slogan writing and Painting competitions were organised wherein large number of students participated from various universities/Colleges/Institutes. The winners of these competitions were declared on 12th January 2022 during online virtual event. For details, visit https://www.icsi.edu/media/webmodules/14012022_Yuvotsav_WINNER_LIST.pdf

ICSI SAMADHAN DIWAS

Samadhan Diwas is an initiative by the ICSI towards on the spot solution of the grievances of the trainees and trainers. The ICSI successfully organized 12th Samadhan Diwas on Wednesday, 12th January, 2022. Pending matters of students in the areas of Switchover from Old training to New Training Structure, registration in Classroom EDP,

e-EDP, e-MSOP, issue of sponsorship letters for Practical Training, Exemption related matters in Practical Training and issues of Training Completion Certificate which were resolved. The students appreciated the efforts of the Institute for creating a platform for direct interaction with the ICSI officials.

COMPANY SECRETARY EXECUTIVE ENTRANCE TEST (CSEET)

During the month, following initiatives were taken for the CSEET students:

- **CSEET (May 2022 session)**

Students who aspire to join CS profession may note that the last date to register for CSEET May 2022 session is 15th April, 2022. CSEET May 2022 session will be held on 7th May, 2022.

Register at https://smash.icsi.edu/Scripts/CSEET/Instructions_CSEET.aspx

- **Online CSEET classes**

Online CSEET Classes are being conducted by Regional/Chapter Offices for students appearing in CSEET to be held in May 2022. For schedule of classes and coordinator contacts, click <https://www.icsi.edu/media/webmodules/websiteClassroom.pdf>

- **CSEET (January 2022 Session)**

CSEET was conducted successfully on 8th and 10th January 2022 through remote proctored mode. The result of CSEET was declared on 19th January 2022 and is available at the website of the Institute.

- **Exemption to Graduates and Post Graduates from appearing in CSEET and enabling them to take direct admission in CS Executive Programme**

The Institute has decided to grant exemption to the following categories of students from appearing in CSEET enabling them to take direct admission in CS Executive Programme.

Graduates (having minimum 50% marks) or Post Graduates (without any criteria of minimum % of marks) in any discipline of any recognised University or any other Institution in India or abroad recognized as equivalent thereto by the Council.

To get exemption from CSEET on the basis of above qualification, such students shall be required to pay applicable exemption fees alongwith the requisite registration fees for the Executive Programme.

For more details, please click https://www.icsi.edu/media/webmodules/granting_exemption_230621.pdf

MOCK TESTS FOR STUDENTS APPEARING IN DECEMBER 2021 FOUNDATION PROGRAMME EXAM

The Institute conducted mock tests for the students appearing in Foundation Examination, December 2021 session scheduled on 3rd & 4th January 2022 to familiarise students with the pattern of remote proctoring. For more details, click https://www.icsi.edu/media/webmodules/Mock_Test_31122021.pdf

SCHEDULE OF ICSI CLASSES AT ROS/ CHAPTERS FOR JUNE 2022 SESSION OF EXAMINATION

Online Classes are being conducted by Regional/Chapter Offices for the students appearing in June 2022 Session of Examination. For details, click <https://www.icsi.edu/media/webmodules/websiteClassroom.pdf>

CONCESSION IN FEES PAYABLE AT THE TIME OF REGISTRATION IN CS EXECUTIVE PROGRAM FOR STUDENTS WHO LOST THEIR PARENTS DUE TO ANY REASON, INCLUDING COVID 19 PANDEMIC

As the COVID pandemic has engulfed the entire globe, it has affected many children in our country also who have lost their parents/or earning member of their family.

To curtail any financial distress on account of educational needs, the Institute has decided that such students may be supported for continuing their education by granting one time concession in fees. It has been decided that the students who have lost their *both parents or surviving parent or legal guardian/adoptive parents* due to any reason, including COVID-19 pandemic and who have taken registration/ or will be registering in CS Executive Programme between 1st April, 2021 to 31st March, 2022 will be given 100% concession in registration fee. For more details, visit https://www.icsi.edu/media/webmodules/Announcement_Concession_in_fees_in_case_of_death_of_parents.pdf

RECORDED VIDEO LECTURES

ICSI has been recording video lectures of eminent faculties for the students of ICSI which help them to prepare for the examination. Students of the Institute can access recorded videos available on the E-learning platform by logging in to <https://elearning.icsi.in>

Login credentials are sent to all registered students at email. After successful login, go to "My courses" or "My Communities" section, where you can find the recorded videos and other contents.

ANNOUNCEMENT ON PAPER-WISE EXEMPTION FOR CS STUDENTS

The option for claiming Paper - wise Exemption on the basis of Higher Qualification for Executive & Professional students for June 2022 CS Examinations has been deactivated in smash portal (<https://smash.icsi.edu>) till declaration of December 2021 Session of Examination Result. Facility for verifying paper wise exemption already granted to student(s) under the subject Exemption head has also been deactivated in SMASH portal (<https://smash.icsi.edu>) till declaration of December 2021 Session of Examination Result. Students may take note of the same.

RE-ORGANIZING OF PROFESSIONAL PROGRAMME ELECTIVE SUBJECTS UNDER NEW SYLLABUS 2017

The Institute has discontinued the following three subjects under New Syllabus–2017 from the Module–III of the Professional Programme w.e.f. June 2022 exam session:

- (i) Forensic Audit (444)
- (ii) Direct Tax Law and Practice (445)
- (iii) Valuations and Business Modelling (447).

Students who have taken registration/switchover in professional programme and have selected any one of above as elective subject inadvertently are advised to select any other elective subject from the following list: (i) Banking - Law and Practice (441) (ii) Insurance - Law and Practice (442) (iii) Intellectual Property Rights – Laws and Practices (443) (iv) Labour Laws and Practice (446) (v) Insolvency – Law and Practice (448)

Process to Change Optional/elective Subject is as under:

- Login with user ID and password (<https://smash.icsi.edu/Scripts/login.aspxv>)
- Click on Module > Student Services > Change Optional Subject > Select new optional subject
- Click on Save.

The above correction is mandatorily required to be done in system on or before submission of examination enrolment request for June 2022 session of CS examination. For any further clarification, please submit your query at <http://support.icsi.edu>.

STUDENT COMPANY SECRETARY, CS FOUNDATION E-BULLETIN AND CSEET COMMUNIQUE

The Student Company Secretary e-journal for Executive/ Professional programme students of ICSI, CS Foundation course e-journal for Foundation programme students of ICSI

and CSEET Communique covering the latest update on the subject on the CSEET have been released for the month of **January, 2022**. The journals are available on the Academic corner of the Institute's website at the link: <https://www.icsi.edu/e-journals/>

ICSI ACADEMIC COLLABORATION WITH UNIVERSITIES AND ACADEMIC INSTITUTIONS

ICSI "Academic Collaboration with Universities and Academic Institutions" initiative of the Institute is aimed at establishing a connect between ICSI and various Universities and Institutions of national repute, through a memorandum of understanding (MoU) covering a number of schemes under one umbrella towards learning and development of students, academicians and professionals.

Under the initiative MoUs with following academic institutions were signed during the month :

- MoU with Guru Ghasidas Vishwavidyalaya, Bilaspur, Chhattisgarh.
- MoU with Telangana University, Telangana.
- MoU with Maharaja Sayajirao University of Baroda, Vadodara.

ICSI STUDY CENTRE MOUS

During the month, MoUs for ICSI Study Centres were signed with the following Academic Institutions across the nation:

- Halidia Law College, West Bengal on 18th January, 2022
- Ananda Chandra College of Commerce, Jalpaigudi, West Bengal on 24th January, 2022

OTHER INITIATIVES

- **Info Capsule series 9 (301-350)** containing the topic-wise compilation of Info capsule has been released. The same is uploaded on the ICSI website at: https://www.icsi.edu/media/webmodules/infocapsule/28012022_INFO_CAPSULE_SERIES_9.pdf
- **Info Capsule:** A Daily update for members and students, covering latest amendment on various laws for the benefits of our members and students available at <https://www.icsi.edu/infocapsule/>

IMPORTANT LINKS FOR STUDENTS

To facilitate and update the students, a list of important links at the website of the Institute has been compiled. Students can go through the links given below to get all important details:

- For Student Services related updates: https://www.icsi.edu/media/webmodules/Student_Services_links.pdf
- For Academic updates: https://www.icsi.edu/media/webmodules/Academic_links.pdf
- For Training related updates: https://www.icsi.edu/media/webmodules/Training_Links.pdf

73RD REPUBLIC DAY PAN INDIA CELEBRATIONS HELD ON 26TH JANUARY 2022







ICSI ACADEMIC CONNECT

MOU with Telangana University, Telangana



MOU with Maharaja Sayajirao University of Baroda, Vadodara



MOU with Guru Ghasidas Vishwavidyalaya, Bilaspur, Chhattisgarh



ICSI STUDY CENTRE MOUs

MOU signed with Halidia Law College, West Bengal



MOU signed with Ananda Chandra College of Commerce, Jalpaigudi, West Bengal



WEBINAR ON

PREVENTION, DETECTION AND TREATMENT OF
CANCER HELD ON 4TH FEBRUARY, 2022



Dr. A. K. Dewan
MBBS, MS, M.Ch. Director Surgical Oncology
Rajiv Gandhi Cancer Institute and
Research Centre



Dr. Shuaib Zaidi
MS, DNB, MCh. (Surgical Oncology)
Senior Consultant & Robotic Surgeon,
Surgical Oncology Indraprastha Apollo Hospitals



Dr. Gauri Rokkam
Ph.D., M.Sc. (Food & Nutrition)
Holistic Nutritionist



WEBINAR ON

UNION BUDGET 2022 ORGANIZED BY WIRC OF ICSI ON 4TH FEBRUARY, 2022



WEBINAR ON

UNION BUDGET 2022 HOSTED BY NIRC OF ICSI ON 3RD FEBRUARY, 2022



WEBINAR ON

ORIENTATION SESSION OF PMQ COURSES HELD ON 28TH JANUARY, 2022



WEBINAR ON

ICSI-NIRC WEBINAR ON CORPORATE GOVERNANCE - ISSUES, OPPORTUNITIES AND CHALLENGES HELD ON 15TH JANUARY, 2022



WEBINAR ON

ICSI-NIRC WEBINAR ON ACHIEVEMENTS @ 75 HELD ON 5TH JANUARY, 2022



Call for Articles

Call for Articles for publication in Chartered Secretary Journal – March 2022

“Gender Equality Today for a Sustainable Tomorrow”

In a world that's changing faster than ever, no one can predict what happens tomorrow — but we can definitely affect it. The issues of climate change, poverty, and inequality facing our planet today — are complex and severe, yet resolvable with perseverance and dedicated action. Business and government, design and research, creativity and common sense; we need it all. Together, we can build a sustainable future.

With the most basic of differentiations across the world being made on the basis of gender; one is bound to analyse the roles played by each segment; the corporate arena being no exception. Even in the areas of sustainability, women have come to be powerful and competent leaders and creators of climate mitigation and adapting change. With the expanding presence and growing sustainability initiatives being undertaken by women to bring about a sensitization across the world; enjoying a sustainable and equal future is beyond imagination without gender equality.

In view of the same and more, we are pleased to inform you that the March 2022 issue of Chartered Secretary Journal will be devoted to the theme ‘**Gender Equality Today for a Sustainable Tomorrow**’ aligning the same with the theme for International Women’s Day (IWD 2022) as decided by the United Nations, to build a more sustainable future for all covering inter alia the following aspects:

- Women in leadership
- Role of women in strengthening ESG
- #BreakingTheBias – The new age mantra for corporate growth
- Expanding the role of Women: Boardrooms and Beyond
- Role of Women in CSR Committees
- Gender Equality in Cultural & Creative Industries
- Clearing the Haze: Creating gender uniting platforms
- Challenges in building pathways to sustainability and enhancing gender equality
- Raising voice for an Equal Future

And many more...

Members and other readers desirous of contributing articles may send the same latest by **Saturday, February 19, 2022** at nitin.jain@icsi.edu for March 2022 issue of Chartered Secretary Journal.

The length of the article should ordinarily be between 2,500 - 4,000 words. However, a longer article can also be considered if the topic of discussion so demands. The articles should be forwarded in MS-Word format.

All the articles are subject to plagiarism check and will be blind screened. Direct reproduction or copying from other sources is to be strictly avoided. Proper references are to be given in the article either as a footnote or at the end. The rights for selection/rejection of the article will vest with the institute without assigning any reason.

Regards,

Team ICSI

Union Budget 2022: A Snapshot of Key Proposed Tax Amendments

32

Pramod Achuthan, Neeraj Menon, Aabhishek Khurana, Nikhil Shimpi and Shweta Patni

The article captures the key amendments related to direct tax and indirect tax proposals. On the tax side, one would notice that proposals of the Finance Bill, 2021 are woven around the themes of providing a transparent tax function, reinforcing the Government's faith in the taxpayers, widening the tax base, and clarifying the intent of the law. Some of the noteworthy direct tax proposals include the introduction of tax provisions for taxation of Virtual Digital Currency, rationalising the surcharge applicable on the sale of long-term unlisted securities, and various amendments relating to clarifying the intent of law. Similarly, changes on customs rates structures are geared towards promoting domestic manufacturing in sync with the AtmaNirbhar Bharat strategy of the Government. Other customs amendments briefly comprise of restricting the validity of advance rulings; widening the scope of 'proper officer' under customs adjudication; digitalization under IGCRD Rules etc. Further amendments in GST regulations include removal of two-way communication process for availing input tax credit; clarification on applicability of interest in case wrong availment of credit; mechanism with respect to the transfer of electronic cash balances within distinct entities (different registration under same PAN) etc.

Highlights of the Union Budget 2022-23

40

Asish Mohan

The Budget 2022-23 with modus, assuring growth in varied paradigms of development, portrays to be designed to pursue a healthy, futuristic ecosystem, amidst adverse conditions and exhibits itself as a balanced economic model echoing to take the Nation to higher levels of excellence. In the milieu of a global environment pushing towards revival from the pandemic woe, Budget 2022-23 invests boldly in the future of our country, in sync with the vision sketched under Atmanirbhar Bharat.

Digital Transformation in Finance – Need, Challenges and Opportunities for Professionals

41

Dr. V Balachandran and Saumya C Manoharan

Digital transformation is a holistic approach to financial management that relies on the digital landscape and innovative technology. India being one of the fastest-growing economies, Fintech platforms are scaling up at a greater position. Delivering a wide range of market opportunities

for both innovative and traditional lenders, the new-age lending platforms have catered to a large segment of online banking customers. The digital transformation trends have driven Banking and Financial Services Companies to minimize their documentation and invest in training employees in digital services. The emerging era of digitalization is to optimize internal processes through creating a Robotic Process Automation roadmap, automating processes to reduce dependency on humans, creating a system-driven process, starting with operations, and touching other bank functions as well. It is the duty of the Finance Professionals to determine how one can take advantage of the cloud and get the best from it. Further, the smart organizations have to identify, recruit and develop people with analytical skills, digital customer experience, and project management skills. This digital pace has resulted in a higher proportion of project-related teams, more IT and technology-related job families, more data analysts, data interpreters and teams focused on the future to assist better decisions rather than reporting on the past.

Preponderance of Probabilities in Proceedings in Matters of Insider Trading

46

Rajesh U. Shanoy

Misuse of unpublished price sensitive information for personal benefit has been a highly condemned act. Such unfair practices lead to loss of confidence of retail investors in the securities market and restrict its growth. While market regulator has enacted stringent regulations for prohibiting insider trading and punishing the guilty, effective adjudication considering the facts and circumstances is necessary as direct evidence is invariably not available in insider trading. Insider trading, if done through others, is normally based on informal understanding or oral communication between insiders and their associates. While civil proceedings do not call for a proof beyond reasonable proof, due preponderance of probabilities is crucial to establish the facts beyond available poor evidence. Such preponderance can be a difficult exercise leaving a room for doubt. The article takes the reader through key legal provisions and few orders/judgements giving an insight on this topic including complexities involved in adjudication.

Influence of Technological Advancement on the Financial Market in India

53

Dr. Krishnat Chougale and Hemant Salokhe

There has been a drastic change in the way the Indian market operates in last few years. Availability of the internet at cheaper price, easy and improved access to information, rapid improvement in physical infrastructure have combined influenced the efficiency of stock market. Current research study has summarized the recent technological advancement in stock market and their influence. Although technology has enhanced financial services in general, it has also had negative consequences. Anyone can become a trader because there are virtually no entry barriers, which is

a hazardous practice. While the Internet provides a wealth of knowledge, it is hard to be completely correct all of the time. It is preferable to know more than less when it comes to dangerous trading, and with the Internet, an increasing number of people are turning to the stock market and make money.

Digital Financial Transformation – Emerging Scenario and Challenges

57

A.Sekar and Nayana Premji Savala

Digital Financial Transformation is a holistic approach to financial management that relies on the digital landscape and innovative technology. The emphasis is on leveraging the Information Technology (IT) to support business strategy and for adapting to dynamic business conditions. Some of the revolutionary developments are in the fields of Digital Financial Transformation are with respect to “Internet of Things (IOT)”, Customer Data Platforms (CDP), Connected Clouds, Contactless Solutions & Digital Payments, Blockchain, Data Science, Big Data, Data Analytics and Artificial Intelligence (AI). Digital Financial Transformation has varying impacts on the functioning of Finance, Accounting and Control functions all of which in short call for paradigm shift in financial management. There are challenges to be addressed with respect to Data concentration and Competition, Digital Assets, Data Privacy, Explainability, Analysis Paralysis and the Regulatory framework which needs to address the trust gap that exists in the various digital domains. It is expected that finance professionals along with the managers in charge of operations will play their role in re-envisioning their strategic approach as also the governance professionals who are required to respond positively addressing the various challenges.

Digital Transformation in Finance

63

Prof. R Balakrishnan

Digital transformation is the process of using digital technologies to create new or modify existing business processes, culture, and customer experiences to meet changing business and market requirements. This reimagining of business in the digital age is digital transformation. Digital transformation in finance is a concept which has now become part of a successful business strategy rather than just technology. Digital transformation has made a positive impact on business operations. It has led to opportunities of faster, cost-effective operations, meeting regulatory deadlines, improved employee and customer experience and remaining competitive. Consequently, it has now become a business strategy as opposed to a technology strategy. In this article, the author is examining the digital transformation in finance, the impact on the economy coupled with professional v/s digitalization and our preparedness for the future with particular reference to adopting the right technology, competent people in order to take the maximum advantage of the digitalization. Digitalization could bring greater speed of business with digital delivery and the change in working methodology depending upon the business model one is adopting. Future transactions would be of automation with real time and the decisions making process would greatly change with the bushes organizations, since gone are the days of taking decisions based on periodic

reporting which used to drive the operations and thereby decisions are being made. Days to come, finance operations and micro services would change the traditional enterprise resource planning (ERP) and new service delivery model would emerge as robots and algorithms joining more diverse finance workforce. This would also give a big way to freelancers, gig workers (independent contractors, online platform works, etc.) entering into contracts with organizations with providing on-demand services to the company’s clients.

Algo Trading: A Peep into the History and Future

68

Sumit Kochar, Shivam Gera and Eshanika Sharma

This article’s focus is to provide a comprehensive view of the global and Indian history of algorithm trading while simultaneously providing an understanding of the framework of an algorithm system and the most famous strategies applied for trading. The article first sheds light upon the birth of algorithm trading in the United States, going from a human-run trading mechanism to switching to a semi-autonomous system run by a simple algorithm to portfolio trading and the stock market crash in 1987. From here, it moves to explain the consequential boom of the earliest strategies of Time-weighted average price and volume-weighted average price. Then, the rise of several other strategies like head and shoulders, pair trade, genetic programming is explained as pre-trading strategies alongside a simple explanation of the architecture and workings of an algorithmic system. The article then moves onto its second part, explaining a short history of India algorithmic trading, from Direct market access to institutional investors and foreign institutional investors to SEBI’s active role in slowly regulating the newly adopted algorithm trading. The focus of this part is regulation of the algo market by SEBI instead of strategies. It is directly related to the growth of algorithm trading in the future; if SEBI applies the framework of curtailing retail investors trading through API, the growth of new algorithms will be vastly curtailed. Therefore, the regulations and their possible consequences are focussed. Finally, the article ends with a short conclusion on the possible future of algo trading around the globe and within India.

Emerging Financial Transformation & Today’s Professionals

73

Dipti Mehta

Finance is entering a golden age of technology and digitization. Financial transformation leads to innovation, productivity, modernization and also improves an organization’s efficiency to reduce costs while adding value to the business. Recent health emergencies like COVID-19 have shown how financial organizations can operate with a remote working model. As finance functions across the globe evolve through various transformation journeys from data to value creation this leads to innovation which provides progressive corporate prospects for better and improved performance and provides new routes to success. Nowadays major financial activity is carried out on mobile phones, enabling more people to have access to various financial services. Apart from increasing access, technology has also incited a variety of drastic changes to financial systems

around the world, right from mobile investment apps to buying stocks online. There is continuous evolution in new technologies and digital accounting that leads companies to bring innovative solutions and opportunities towards financial and digital transformation.

Digital Payment Mechanism: An Emerging Tool in Financial Sector

79

Dr. Susmitha P Mallaya

In the contemporary times, when the world is accelerating to overcome the crisis in the economic fabric of the countries, digital payment mechanism is emerging as a powerful tool to lead the financial sector. In order to digitally empower the society to meet the challenges posed by the technology based economy, Government of India initiated various schemes to promote digital payment methods with a vision to build 'digital India'. Its motto is "Faceless, Paperless, Cashless". Therefore, with an objective to implement this dream project, various digital payment modes are encouraged like banking cards, internet banking, Unstructured Supplementary Service Data (USSD), Aadhar enabled Payment System (AEPS), Point of sale, Banks prepaid card, mobile wallets, mobile banking, Micro ATMs, etc. In all these financial transactions, the role of banking professionals, Company Secretaries, and Chartered Accountants cannot be overlooked. This article is an attempt to examine the challenges posed in the financial sector due to paradigm shift imposed by the pandemic and the caution these professionals need to consider to enjoy a safe and smooth transition from the traditional payment methods to digital payment mode in the financial sector.

Financial Inclusion: Law, Policy and Justice

83

Prof. (Dr.) Tapan R. Mohanty

The focus on financial inclusion depicts the interplay of market forces, technological development and social change. Globalization has not just focused on wealth creation and delimitation of geographical boundaries but it has also brought development, human right and poverty eradication into focus. In fact, the process of financial inclusion gathered momentum with the change of government at the centre in 2014 and the Modi government took significant and far-reaching steps to ensure that government benefits and welfare schemes reach to the real beneficiaries. We need principles that allow all people to engage in transparent, informed, and democratic debate, therefore, to achieve both financial inclusion and financial justice, we need a transformative movement of State, individuals, communities, and civil society.

e-RUPI: A Novel Digital Financial Solution

87

Dr. Kishore N.K

Being a developing economy, India needs to extend support and subsidies to the needy people. Such subsidies may hamper the development but cannot be avoided all together. The best that can be done is cost-effective administration of subsidies to derive the intended benefits. The systemic limitations have been causing leakages, delays,

inappropriate distributions etc., and could not be routed out totally. Due to the tech developments, Government could design a technology solution to address most of the issues associated with the conventional methods of distribution of the subsidies. The e-RUPI is an electronic voucher redeemable only by the beneficiary and is a breakthrough development in a developing economy like India. This article endeavors to present the process and the gaps that the e-RUPI could fill and the challenges involved in the process of adopting and emulating this or similar solutions wherever possible towards deriving the intended benefits.

Blockchain- Its Impact on Accountancy

91

Meenu Gupta

The Fourth Industrial Revolution, popularly referred as "Industry 4.0", involves innovations through digital technologies like artificial intelligence, internet of things, big data and blockchain. Blockchain technology seeks to improve the accounting functions by lowering the overheads of maintaining and reconciling ledgers and offering complete transparency on asset ownership and history. It focuses on the principle of triple entry system used in blockchain accounting and discusses the prospects and challenges of shifting to blockchain accounting. It concludes with an understanding that blockchain accounting has the potential to increase transparency and visibility of records that will minimize fraud and increase trust, security, and credibility of the transactions. Company management, accountants, auditors, IT professionals, and start-ups must focus on taking action to put 'theory' into 'practice' and make research and developments. We must be ready to accept the challenges and opportunities being thrown by this recent "most talked about technology".

Ubiquitous Technology Transformation – Role of Company Secretaries

97

Abhinav Kumar K P

Technology is an essential and integral part of the present-day life and professional sphere is no exception. The dynamic changes in the technology have not only created ease of working and operations, but also unfolded plethora of opportunities. The techno revolution has widened the scope for professionals including new areas of employment and practice including accounts and finance. It is imperative that, as corporate professionals we need to be at the forefront and also be adept at technology to make use of the thriving opportunities.

Digital Transformation: "Impact of Digital Payments and Neo-Banks on Financial Inclusion in India and its interplay with Data Protection and Cyber Security Regulations"

101

Suhita Mukhopadhyay

The lines between technology and business are ever-blurring, and startups as well as established financial institutions have realized the importance of technology innovation and are leveraging it to build novel products and solutions for their customers Digital Payment and Neo Banks (online financial technology companies-fintech companies)

are also emerging as the future of the banking system in India.. Improved mobile and internet penetration, Regulatory and government policy push towards financial inclusion, Emergence of low-cost real-time payment methods and Rising tech-savvy millennial population are factors contributing to the growth. FinTech is rapidly changing the face of the banking industry, as several banks are now switching to digitization as well as paperless and cashless processes. We also have BigTech players entering the foray through payments and other products. There are also government and regulatory initiatives aplenty to help the ecosystem grow. The financial institutions, start-ups, investors, governments, and regulators should rethink their role in the financial services ecosystem and execute their strategy for financial inclusion.

Research Corner P - 109

Study of COVID-19 Disclosures by Nifty 50 companies

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Mitul Kumar Suthar and Ranjith Krishnan

The impact of COVID-19 has not been limited to just human life, but also on businesses, financial markets and social life. Considering the COVID-19 impact on the securities and commodity markets arising out of increased volatility and uncertainty in the market, detailed information regarding any kind of material impact on the company's business and its operations will not only assist the investors and connected parties in making informed investment decisions but will also be fundamental for market integrity and functioning. COVID -19 unleashed a lot of commercial pain to all entities and its impact has been of different intensities on different enterprises. In the case of listed companies, they are expected to have made appropriate disclosures in Annual report 2020 relating to impact of COVID-19 on their enterprise. This article is an appraisal of the COVID-19 related disclosures made by the Nifty 50 companies.

Legal World P - 119

- **LMJ 02:02:2022** Since Section 22(1) only prohibits recovery against the industrial company, there is no protection afforded to guarantors against recovery proceedings under the U.P. Act.[SC]
- **LW 08:02:2022** If the seeds of the commercial relationship between Antrix and Devas were a product of fraud perpetrated by Devas, every part of the plant that grew out of those seeds, such as the Agreement, the disputes, arbitral awards etc., are all infected with the poison of fraud. A product of fraud is in conflict with the public policy of any country including India.[SC]
- **LW 09:02:2022** The secured creditor and/or its assignor have a right to recover the amount due and payable to it from the borrowers.[SC]
- **LW 10:02:2022** The demand raised by the appellants against the respondent company, of excise duty on the liquor lost in fire, is authorised by law and has rightly been raised as per the applicable provisions.[SC]
- **LW 11:02:2022** The competitors of Yamaha in the motorcycles market in India enjoy higher market shares while Yamaha has a market share of less than 10%. Accordingly, Yamaha cannot be said to be having a dominant position in the aforesaid delineated relevant market.[CCI]

- **LW 12:02:2022** Further, it appears that Google is using its dominant position in the relevant markets to enter/protect its position in the market for news aggregation services in violation of Section 4(2)(e) of the Act, which again merits detailed investigation.[CCI]
- **LW 13:02:2022** If in the tendering process there is an element of anti-competition which would require investigation by the CCI, that cannot be prevented under the pretext of the lottery business being res extra commercium, more so when the State Government decides to deal in lotteries.[SC]
- **LW 14:02:2022** The period of limitation of three years will be counted from the expiry of refusal to reply to appointment of Arbitrator within 30 days of invoking arbitration by notice.[Del]
- **LW 15:02:2022** Merely by mentioning on the invoices viz. the disputes shall be subject to the jurisdiction at Jaipur would not snatch away the jurisdiction of this Court as there was no exclusion clause in the invoices.[Del]

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- Companies (Amendment) Act, CAA2020
- Companies (Amendment) Act, CAA2017
- Companies (Registration Offices and Fees) Amendment Rules, 2022
- Commencement notification CAA2020
- Change in control of the asset management company involving scheme of arrangement under Companies Act, 2013
- Introduction of Special Situation Funds as a sub-category under Category I AIFs
- Issuance of Securities in dematerialized form in case of Investor Service Requests
- Framework for operationalizing the Gold Exchange in India
- Disclosure obligations of listed entities in relation to Related Party Transactions
- Increasing Awareness regarding Online Mechanisms for Investor Grievance Redressal
- Schemes of Arrangement by Listed Entities - Clarification w.r.t. timing of submission of NOC from the lending scheduled commercial banks/ financial institutions/ debenture trustee
- Options on Commodity Futures - Product Design and Risk Management Framework – Modification in exercise mechanism

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- HIGHLIGHTS OF THE UNION BUDGET 2022-23
- DIGITAL TRANSFORMATION IN FINANCE – NEED, CHALLENGES AND OPPORTUNITIES FOR PROFESSIONALS
- PREPONDERANCE OF PROBABILITIES IN PROCEEDINGS IN MATTERS OF INSIDER TRADING
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Union Budget 2022: A Snapshot of Key Proposed Tax Amendments

The Union Budget 2022 presented by the Finance Minister (FM) on 01 February 2022 is based on the overall theme of emphasis on structural reforms and enabling factors along with a specific focus on capital expenditure. On the Policy side, continuing the Government's resolution of building an "Atmanirbhar Bharat", the Budget 2022 is guided by the synergy of multi-modal approach which focuses on the four priorities of (i) PM GatiShakti, (ii) inclusive development, (iii) productivity enhancement and investment, sunrise opportunities, energy transition and climate action, and (iv) financing of investments. This article captures the key amendments related to direct tax and indirect tax proposals. On the tax side, one would notice that proposals of the Finance Bill 2022 are woven around the themes of providing a transparent tax function, reinforcing the Government's faith in the taxpayers, widening the tax base, and clarifying the intent of the law. Some of the noteworthy direct tax proposals include the introduction of tax provisions for taxation of Virtual Digital Currency, rationalising the surcharge arising on the tax applicable on sale of all types of long term capital assets and various amendments relating to clarifying the intent of law. Similarly, changes on customs rates structures are geared towards promoting domestic manufacturing in sync with the AtmaNirbhar Bharat strategy of the Government. Other customs amendments briefly comprise of restricting the validity of advance rulings; widening the scope of 'proper officer' under customs adjudication; digitalization under IGCRD Rules, etc. Further amendments in GST regulations includes removal of two-way communication process for availing input tax credit; clarification on applicability of interest in case wrong availment of credit; mechanism with respect to the transfer of electronic cash balances within distinct entities (different registration under the same PAN) etc.



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INTRODUCTION

Labelling the Union Budget 2022 as the blueprint for the 'Amrit Kaal', our Hon'ble Finance Minister (FM) has aimed to lay down a futuristic and inclusive parallel track for India's growth and with big public investments in modern infrastructure, gear up for the vision for India@100.

The successful launch of the Production Linked Incentive Schemes (PLI), robust steps towards privatisation - with the disinvestment of 'Air India' and the shortly expected Public issue of Life Insurance Corporation (LIC), and withdrawal of the retrospective indirect transfer tax provisions provided a perfect backdrop to the Budget 2022.

With 65 IPOs and India becoming the country with the third-highest number of unicorns producing 44 unicorns in the

*The views expressed are the personal views of the authors

calendar year 2021, India Inc awaited the dawn of Budget 2022 with faith and hope for a brighter future. With India still in the midst of the Omicron wave of high incidence, but milder symptoms, Budget 2022 was expected to provide a “booster dose” to the well-paced Indian economy.

The Union Budget 2022 presented by the FM on 01 February 2022 is based on the overall theme of emphasis on structural reforms and enabling factors along with a specific focus on capital expenditure. On the Policy side, continuing the Government’s resolution of building an “Atmanirbhar Bharat”, the Budget 2022 is guided by the synergy of multi-modal approach which focuses on the four priorities of (i) PM GatiShakti, (ii) Inclusive Development, (iii) Productivity Enhancement and Investment, Sunrise Opportunities, Energy Transition and Climate Action, and (iv) Financing of Investments.

Whether the pandemic is entering its endgame, or not is still hotly debated. However, the situation has certainly made India realise that “digital is no longer a curiosity but an inevitability”. The proposal to introduce Central Bank Digital Currency (CBDC) i.e Digital Rupee by the RBI is a welcome move as the Government acknowledges the existence of cryptocurrencies and aims to enhance the India Inc’s ability to run the Web 3.0 race by regulating the same.

The Government’s confidence in digitization and the buoyancy in tax collections have helped to maintain the fiscal deficit estimate to 6.4% of the GDP for 2022-23. The Budget 2022 was expected to introduce various amendments in the domestic tax law in line with the Global agreement on BEPS 2.0 – Pillar 1 and Pillar 2 framework. However, the vision to continue on the path of a stable and predictable tax regime and the revenue mobilisation measures introduced earlier have meant that the FM has not introduced any radical changes on the tax front.

While the Budget Speech itself was one of the shortest by the FM, the fine print of the Finance Bill 2022 (FB 2022) does contain several clauses that need in-depth analysis. In this article, we have captured a few key direct tax and indirect tax proposals introduced by Budget 2022:

I. DIRECT TAX PROPOSALS

A. CORPORATE TAX PROPOSALS:

1. Extensions granted in the Budget as a measure for socio-economic welfare:

- **Extension of sunset date for new manufacturing concerns** [effective AY 2022-23]

The government’s intent for the introduction of section 115BAB (15% tax regime) was to attract investment, create jobs and trigger overall economic growth in India. However, setting up of new domestic companies and the commencement of manufacturing or production has been impacted due to the COVID-19 restrictions. In order to provide relief to such companies, the last day for commencing manufacturing/production of an article is extended by one year to 31 March 2024.

- **Extension of sunset date for eligible start-ups** [effective AY 2022-23]

Deduction of an amount equal to one hundred percent of the profits and gains derived from an eligible business of eligible start-up is granted for three consecutive assessment years out of first ten years. Amendment is brought in the provisions of section 80-IAC to extend such period of incorporation of eligible start-ups up to 31 March 2023.

2. **Withdrawal of concessional rate of taxation on dividend income under section 115BBD** [effective AY 2023-24]

- With the recent amendments in section 115-O, dividend income is taxable in the hands of the shareholder at applicable rates plus surcharge and cess. Hence, in order to bring parity in the tax treatment for dividends received by Indian companies from specified foreign companies’ vis-a-vis dividends received from domestic companies, section 115BBD is proposed to be deleted. Thus, the special tax rate of 15% shall not be available on dividends received by Indian companies from specified foreign companies.

3. **Key changes brought to clarify the intent of the law:**

The changes below have been proposed as clarificatory changes to reflect the legislative intent and overturn some of the Assessee friendly Court decisions. The ‘clarificatory’ nature of these amendments is likely to be hotly debated and the specific back dating of some of the proposed changes goes against the tax policy of this Government to not introduce retrospective changes.

- **Deduction of surcharge and Education Cess (EC)** [effective retrospectively from AY 2005-06]

Currently, Income tax paid is not an allowable deduction as per section 40(a)(ii). In absence of specific provisions, various courts had taken a view that the EC can be claimed as an allowable business deduction.

It is now clarified that the term “tax” includes and has always included any surcharge or cess levied by the State or the Central Government. Therefore, any payment for surcharge or education cess shall not be allowed as a deduction in computation of total income.

- **Disallowance of expenditure under section 14A in absence of any exempt income during an AY** [effective AY 2022-23]

With regard to disallowance under section 14A, certain judicial authorities have taken a view that if there is no exempt income earned during a year, no disallowance for expenses incurred to earn exempt income shall be made for that year. This clarificatory amendment proposes that disallowance of expenditure in relation to exempt income should apply even in absence of any exempt income during the relevant assessment year. Thus, the purpose for which expenses have been incurred will drive the allowance or disallowance as the case may be.

- **Allowability of certain benefits or perquisite paid under section 37** [effective 01 April 2022]

Certain judicial authorities have taken a view that expenses incurred in providing various benefits to medical personnel in violation of the provisions of Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 shall be admissible under section 37(1) if Assessee explains to the satisfaction of assessing officer that no violation of law has taken place.

Further, few tribunals have upheld the decision that expenses incurred with regard to any offence under foreign law or for compounding of an offence for violation of foreign law are allowable under section 37.

It is now being clarified by the FM that providing various benefits by companies in violation of any law/rule/regulation or expenditure incurred for violation of foreign law shall have always been a non-allowable deduction under section 37.

- **Conversion of interest payable under section 43B into debenture or any other instrument cannot be considered as actually paid** [effective AY 2023-24]

Several judicial authorities held that conversion of interest payable into debentures does not attract disallowance under section 43B as the same is treated as a constructive discharge of liability. An amendment is proposed to clarify that any conversion of interest payable as covered under the preview of section 43B into debenture or any other instrument due to which the liability to pay is deferred, shall not be deemed as actual payment under the Act.

4. Key additional provisions in the budget:

- **Updated return** [effective 01 April 2022]

A new provision is proposed for filing an 'updated return' by any person, whether he has filed a return previously for the relevant year or not. Such updated returns may be filed within 24 months from the end of the relevant AY. The proposal is woven around the theme of simplification of tax administration, ease of compliance, and reduction in litigation.

The said return may be filed only on payment of tax and interest determined along with additional payment of 25% (if the return is filed within 12 months of the end of AY) and 50% (if the return is filed beyond 12 months but within 24 months of the end of AY) of such additional tax. Further, interest u/s 234A/ B/ C shall be computed having regard to the updated return filed.

The updated tax return cannot be filed in case of (i) a loss return; or (ii) has the effect of reducing the tax liability; or (iii) results in increases the refund due; and (iv) certain prescribed circumstances.

- **Amendments related to successor entity subsequent to business reorganization** [effective 01 April 2022]

In cases of business reorganisations, it is clarified that income tax proceedings initiated in case of predecessor entity during the pendency of such re-organisation, shall be deemed to have been initiated in case of successor entity.

Further, a mechanism shall be enabled for the successor entity to file a modified return for giving effect to such business re-organisation. Such modified return shall be filed within 6 months from the end of the month in which the order approving the business reorganisation is issued.

- **TDS on benefit or perquisite of a business or profession** [effective 01 July 2022]

It has been provided that a person responsible for providing any benefit or perquisite to a resident arising from carrying out of a business or exercising of a profession shall now have to deduct tax at source at the rate of 10% on the aggregate of value of such benefit or perquisite. This amendment along with the section 37(1) amendment disallowing certain expenses seems to discourage the practice of businesses providing benefits/perquisites.

The said provision shall not apply to individuals/HUFs having income from business or profession of INR 1 Cr or INR 50 lakhs, respectively.

5. Key rationalisation measures:

- **Reduction in requirement of two years to one year in provisions of sections 206AB and 206CCA** [effective 01 April 2022]

In order to ensure filing of return of income by persons who have suffered a reasonable amount of TDS/TCS, penal TDS/TCS rates had been introduced in FA 2021. According to the said provision, tax deduction at source shall be at higher rates specified in case of a specified person who has not filed the returns of income for two previous preceding financial years and the aggregate of tax deducted or collected for such person is INR 50,000 or more in each of these two previous years.

To widen the tax base, such requirement of two years has now been proposed to be reduced to one year. Thus, if a person does not file its return of income for the previous preceding year, then tax shall be deducted at higher rates as specified in section 206AB and 206CCA.

- **Value of property for TDS deduction on sale of immovable property** [effective 01 April 2022]

To synchronise the provisions of section 43CA and section 50C with the tax withholding requirement under section 194-IA (in case of transfer of an immovable property other than agricultural land), going forward, a taxpayer shall be responsible to deduct taxes @ 1% on the higher of the amount of Sale consideration or Stamp duty value of such property.

This requirement to withhold taxes on the Stamp duty value has been introduced vide this Budget and shall not apply where the sale consideration and Stamp duty value of such property are both less than INR 50 lakhs.

6. Other key proposals

Other key proposals

- ▶ Bonus stripping provisions are amended, so as to make the said provision applicable to securities as well (which were hitherto applicable only to units). Further, the dividend stripping provisions under section 94(7) shall be extended to units of business trusts (REITs/ InvITs) and AIFs
- ▶ Appeal by the department to Appellate Tribunal proposed to be deferred where an identical question of law is pending in appeal before jurisdictional High Court or Supreme Court and till the same is decided
- ▶ It is clarified that any loan or borrowing credited in the books of an Assessee shall be considered as unexplained unless source of such fund even in the hand of creditor is explained to assessing officer
- ▶ Sunset date for introduction of faceless schemes for proceedings of transfer pricing assessments, dispute resolution panel and ITAT is deferred to 31 March 2024
- ▶ Section 144B(9) is omitted, which renders an assessment order invalid if the necessary process prescribed under the faceless assessment scheme is not followed
- ▶ Section 79A is proposed to be inserted, according to which brought forward business loss or unabsorbed depreciation should not be set-off against the undisclosed income calculated during any search or survey conducted under the Act
- ▶ An amendment was brought in FA 2021 to the effect that goodwill of a business or profession is not a depreciable asset from AY 2021-2022. Accordingly, it is now clarified that reduction of such amount of goodwill of a business or profession, from the block of asset shall be deemed to be transfer
- ▶ New section 239A is inserted in the Act, to provide that a person, who has made the deduction of tax under an agreement or arrangement and borne the tax liability, when no tax deduction was required, may file an application for refund of such tax deducted before the Assessing Officer
- ▶ It is now clarified that the PCCIT or CCIT or PCIT or CIT having jurisdiction over the taxpayer may revise the transfer pricing order if it is prejudicial to the interest of revenue
- ▶ In case of reassessment proceedings, the requirement of seeking approval in the course of initiation of proceedings (under section 148/ 148A) is omitted

B. PERSONAL TAX PROPOSALS

There's no denying that the pandemic has left an indelible scar on everyone's life, especially the *aam janta's*, who had for all this while been reeling under its impact and had started developing a belief that the brutal pandemic has finally bid adieu to this world. However, back came the third wave (*albeit in a milder vein*) with a bang signalling that the pandemic is far from over, doing no good and rather leaving the *aam janta*

A new provision is proposed for filing an 'updated return' by any person, whether he has filed a return previously for the relevant year or not. Such updated returns may be filed within 24 months from the end of the relevant AY. The proposal is woven around the theme of simplification of tax administration, ease of compliance, and reduction in litigation. The said return may be filed only on payment of tax and interest determined along with additional payment of 25% (if the return is filed within 12 months of the end of AY) and 50% (if the return is filed beyond 12 months but within 24 months of the end of AY) of such additional tax. Further, interest u/s 234A/ B/ C shall be computed having regard to the updated return filed.

gasping with bated breath - adding butterflies to their stomachs.

For them especially, the euphoria around the Budget time is perpetually sky-high with their wish lists running into endless pages. Admittedly, the Government had its hands tied because of the fiscal deficit situation – leading to there also being a select sect of taxpayers, who were not too hopeful of a lot of tax goodies being rolled out this year.

With the above backdrop, it was largely a 'tax neutral Budget' for the individual taxpayers with many anticipations of the *aam janta* remaining unfulfilled (for instance - rejigging of tax slabs and exemption thresholds, further simplification of the new concessional tax regime for individuals, tax relief for employees 'working from home'/augmenting the Standard deduction threshold etc.). Coming to what really unfolded on 01 February 2022, the FM did unfurl a few interesting proposals on the personal tax front – the proposition to bring the Virtual Digital Assets into the tax net being indeed a landmark one. Let's deep dive into some of these proposals and decode their likely impact:

1. Legislative codification of the exemption(s) for COVID-19 related payments for medical treatment/ex-gratia payouts made on the death of the taxpayer due to COVID-19 [effective AY 2020-21]

The Ministry of Finance had on 25 June 2021 by way of a Press Release, provided exemption(s) towards various COVID-19 related payouts received by the taxpayers/ their family members to assuage the pain endured by

Union Budget 2022: A Snapshot of Key Proposed Tax Amendments

them as an aftermath of the pandemic. What was lacking till now was the legislative codification of the aforesaid exemption(s).

The Finance Bill 2022 now proposes to explicitly carve out such compassionate payments from the taxation realm retrospectively from FY 2019-20 onwards (in sync with the above Press Release) as follows:

- a. It is proposed that the ex-gratia payments received by taxpayers from their employers or any other persons for actual expenditure incurred on own medical treatment or treatment of any family members on account of the pandemic will not be considered as taxable in the taxpayers' hands, subject to the satisfaction of certain conditions that the Central Government may specify in this context.
- b. Furthermore, the FM also proposed that the ex-gratia payments received by the family members from the erstwhile employer of the deceased employee, who dies pursuant to COVID-19, would be treated as non-taxable in the hands of the family members without any upper limit (though exemption is proposed to be capped at INR 10 lakhs in aggregate, if ex-gratia is received from any person other than the employer). An important aspect (which did not find a mention in the earlier Press Release) proposed here is that such payments should be received within 12 months from the deceased individual's date of death for the non-taxability position to hold good and is also subject to the satisfaction of certain conditions that the Central Government may specify as cited above.

2. Introduction of a scheme for the taxation of Virtual Digital Assets ('VDA') [effective AY 2023-24 and for the corresponding TDS provision effective 01 July 2022]

There was a lot of hustle and bustle in the run-up to this Budget as regards whether the Government would finally embrace the crypto ecosystem or provide any clarifications in relation to the taxation of cryptocurrencies and/or other similar assets (which have become immensely popular over the recent few years and are certainly 'here to stay'). While the FM in her Budget Speech did not specifically comment upon the legal status of the various prevalent cryptocurrencies, she did acknowledge that there

has been a phenomenal increase in the VDA related transactions.

On the contrary, the FM indicated that the RBI will issue its own Central Bank Digital Currency during FY 2022-23 to significantly boost the country's digital economy, which in a way insinuated that India is not yet ready to legalise any other VDA as a currency mode.

The FM proposed a new definition of VDA inter alia covering any information or code or number or token providing a digital representation of value which is exchanged with or without consideration, Non-fungible token or any other digital asset as the Central Government may specify, and additionally proposes to float a new taxation scheme for such VDAs.

It is proposed that the income from transfer of VDAs will be taxed at a flat rate of 30% without any baseline exemption and no deduction/allowance/set-off of losses will be available against such income except the step up for the Cost of Acquisition. Moreover, any loss incurred on such transfer will neither be eligible for set-off against any other income nor will the same be allowed to be carried forward to subsequent years.

Also, the gift of VDAs is proposed to be taxed in the hands of the recipient.

Further, to deepen the tax base and keep a tab on the transactions carried out pertaining to these VDAs, the Government has proposed that any person responsible for paying to a resident any sum for transfer of such asset, will be required to withhold taxes @ 1% of such sum at the stage of credit or payment, whichever is earlier. However, no taxes are required to be withheld where:

- a. The aggregate value of consideration does not exceed INR 50,000 during the financial year by a 'specified person'; or
- b. The aggregate value of consideration does not exceed INR 10,000 during the financial year in the case of a person other than 'specified person'.

Besides, in the absence of adequate cash consideration, the tax deductor shall need to ensure that taxes have been paid before releasing the payment towards such VDA transfers.

'Specified person' has also been separately defined to remove any uncertainty on this front.

3. Capping of surcharge on the tax payable on any type of LTCG [effective AY 2023-24]

As of today, tax on LTCG earned on the sale of listed equity shares/units of equity oriented mutual funds/units of a business trust is subject to a maximum surcharge of 15%, whereas tax on LTCG other than the one mentioned previously is subject to a maximum surcharge of up to 37% (depending upon the taxable income).

In order to reduce the tax burden and bring in standardisation across various asset classes, the Budget has proposed to cap the surcharge on the tax payable on





all kinds of LTCG at 15%. This effectively means that the higher surcharge rates of 25% and 37% will no longer be applicable on the tax payable on any LTCG.

4. **Tax relief in relation to insurance premium paid for maintenance of persons with disability [effective AY 2023-24]**

Per the extant 80DD provisions, any amount paid towards an insurance scheme that provides for payment of annuity or lump sum amount to the differently abled dependent upon the death of the taxpayer, is allowed as a deduction (the deduction amount being INR 75,000/INR 1.25 lakhs in the event of severe disability) in the hands of taxpayer (say, parent/guardian).

Budget 2022 proposes to extend this deduction to schemes that provide for payment of the annuity or lump sum amounts to the differently abled dependents during the lifetime of their parents or guardians, once the parents/guardians (as the case may be) attain 60 years of age and where payments or deposits to such schemes have been discontinued.

II. INDIRECT TAX PROPOSALS:

A. GOODS AND SERVICE TAX PROPOSALS:

1. **Change in methodology for availing input tax credit**

The last Finance Bill had laid an intention to deny input tax credit on invoices/debit notes where the details have not been furnished by the supplier in GSTR-1. In furtherance to the same, a two-way communication process under GSTR – 2A specifically for availing of input tax credit, is intended to be done away with. Replacing the same, a system would be brought in place where the registered person would get an auto generated statement, thereby specifying details of outward supplies furnished by the supplier to the recipient.

2. **Clarification on applicability of interest in case of wrong availment of input tax credit**

Further, in order to remove the anomaly with respect to the applicability of interest on wrong availment of input tax credit, a welcome proposition has been made in this Budget. Basis the same, it has been clarified that interest would be levied only in case where input tax credit is wrongly availed and utilised. The said amendment is proposed to be made effective retrospectively i.e., from 1 July 2017.

3. **Extension in timelines for rectification of errors / availment of input tax credit / issuance of credit notes**

Prior to the introduction of Budget, the last date for making amendments, issuance of credit notes/ availment of input tax credit, etc. was 'due date of furnishing of return for the month September of the following year'. However, the timelines for the same have now been proposed to be extended to 30 November of the following year. This would provide an additional timeline of 2 months to the taxpayers for complying with the requirements.

4. **Introduction of new ways to manage working capital within different registrations of a legal entity**

Earlier, the only option available for liquidating balance in electronic cash ledger was to apply for a refund under section 54 of the Central Goods and Service Tax Act, 2017. However, with this Finance bill, the Government is proposing to introduce provisions around transfer of excess cash balance within distinct entities i.e. to different registrations within same legal entity having the same PAN in the manner prescribed. This proposed change would enable the industry to manage its working capital in better ways, without falling into the rigmarole of filing refund claims.

5. Proposed amendments related to Refund provisions

The scope of withholding/ recovery of the refund amount by an authorized officer is sought to be widened to cover all types of refunds which was earlier restricted to refund of unutilized input tax credit in case of zero-rated supplies and inverted duty structure. This proposed amendment would provide for additional power to the authorities to withhold/ recover the refunds arising on account of an application made for excess cash balance, refund on account of any judgement or order, etc.

The relevant date for filing refund claim in respect of supplies made to SEZ developer or SEZ unit shall be the due date of filing GSTR-3B for such supplies.

6. Other key updates

Following other key amendments are proposed:

- A taxpayer would not be allowed to furnish the details of outward supplies or file GSTR-3B for a tax period, if the details of outward supplies for any of the previous tax periods has not been furnished by him. However, the Government may relax such restrictions through notification.
- Late fees for delayed filing of return would be levied in case of delay in filing of return by e-commerce operator for tax collected at source.
- A restriction is sought to be imposed on the proportion of output tax liability which would be permitted to be adjusted against the electronic credit ledger. This would have an impact on the working capital of the taxpayer.

B. CUSTOMS LAW PROPOSALS:

1. Limitations in validity of rulings laid by Advance Rulings Authority

The validity of the advance ruling is proposed to be limited to three years or till there is change in law or facts. In case the ruling is in force as on date of Presidential assent to Finance Bill 2022, period of three years would be computed from the date of assent. This amendment has brought about a lot of confusion and questions in the mind of applicants, such as, whether another advance ruling application would be required to be filed on expiry of three years with the same fact pattern, applicability of new findings on the transactions undertaken in the past, etc.

Further time limit to withdraw the application filed for advance ruling extended until the date of pronouncement of such rulings as against the existing time limit of 30 days from the date of application.

2. Widening the ambit of 'proper officer' under Customs adjudication

The proposed amendment has been brought to include DRI officers, Audit and Preventive formation under the ambit of 'proper officers' under customs. This has been brought about to address the observations of the Hon'ble Supreme Court in the case of Cannon India wherein it was held that the show cause notice issued by the Directorate of Revenue Intelligence (DRI) was without jurisdiction. Further, post completion of investigation or

audit, the further proceedings such as re-assessment, adjudication, etc. continued to be exercised by the original jurisdictional authority.

By virtue of this amendment, the Government intends to give a deeming effect to include the said officials as a part of 'proper officer' from inception and thereby validating the actions taken by such official even prior to the amendment.

3. Rationalization of taxes and change in validity of exemptions

Goods falling under various chapters are proposed to undergo changes in BCD rate structure in line with the 'Make-in-India' and 'Atmanirbhar Bharat' policy. For few products, the BCD rate change is effective from 2 February 2022 and certain changes would come into effect from a later date. In order to rationalise the duty rates more than 350 exemptions have been proposed to be withdrawn. Further, few products are proposed to be exempt from Social Welfare Surcharge ('SWS') with effect from 2 February 2022.

Moreover, the customs duty rate structure on capital goods and project imports to be comprehensively reviewed and exemption on capital goods/ project imports are proposed to be phased out gradually with only a few exemptions to continue. It is proposed to apply a moderate tariff BCD rate of 7.5% on project imports.

Further, sunset dates have been stipulated for conditional exemption entries in certain notifications. However, exemptions like international commitments such as Free Trade Agreements / Information Technology Agreement, concessions emanating from Foreign Trade Policy like advance authorization and concessions under Phased Manufacturing programmes have been excluded from the purview of automatic expiry.

4. Digitalization under The Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017

IGCR Rules, 2017 are proposed to be revised from 1 March 2022 to make entire process digital and transparent. All the necessary details would be required to be submitted electronically on the common portal. This will lead to end-to-end automation in the entire process.

Further, the Bill also intends to introduce conditional exemptions for the import of certain material used in manufacture of various products such as, textile/ leather garments; leather/ synthetic footwear, etc. meant for exports.

C. OTHERS

1. Reforms under administration of Special Economic Zones

It is proposed to replace the SEZ Act by new legislation to enable states to become partners in 'Development of Enterprise and Service Hubs'. This step has been taken to cover existing and new industrial enclaves to optimally utilise infrastructure and enhance export competitiveness.



UNION BUDGET 2022

Reforms with respect to customs administration of Special Economic Zones, being fully IT driven and functional on Customs National Portal, to be implemented by 30 September 2022.

2. Other key amendments

For maintaining data security and confidentiality, it is proposed that publishing import and export details such as classification, quantity, value of goods, etc. onto public domain unless provided by the law is sought to be treated as an offence and would attract imprisonment/penalty, or both.

Goods falling under various chapters are proposed to undergo changes in BCD rate structure in line with the 'Make-in-India' and 'Atmanirbhar Bharat' policy. For few products, the BCD rate change is effective from 2 February 2022 and certain changes would come into effect from a later date. In order to rationalise the duty rates more than 350 exemptions have been proposed to be withdrawn. Further, few products are proposed to be exempt from Social Welfare Surcharge ('SWS') with effect from 2 February 2022.

III. CONCLUDING THOUGHTS

As India marks its Azadi ka Amrit Mahotsav, the Government sees this 'Aatmanirbhar Bharat Ka Budget', as a Budget to give a financial boost and benefit the common man with more investment in infrastructure, employment & development opportunities in the 25-year-long lead-up to India@100.

With a massive increase in an outlay of 35.4% for capital expenditure, the Budget 2022 on an overall basis lives up to the future looking and growth-oriented vision and is expected to have a positive multiplier effect on the economy.

Like all her past Budgets, the FM this year too recited a couplet from the Mahabharat (*as follows*) before commencing with her Direct Tax proposals:

"The king must make arrangements for Yogakshema (welfare) of the populace by way of abandoning any laxity and by governing the state in line with Dharma, along with collecting taxes which are in consonance with the Dharma."

This verse perfectly blends with the key themes of this year's Budget – providing a transparent tax function, reinforcing the Government's faith in the taxpayers, widening the tax base, and clarifying the intent of law.

Not proposing any short-term or medium-term tax breaks which would have been the popular choice but instead voting for long-term growth measures shows the FM's confidence in the Indian economy and in the implementation apparatus. Metaphorically, it could be said that people had turned up to watch a T20 match and were instead rewarded with a fine Test match innings. To sum up, the legendary Mahendra Singh Dhoni's comments seem appropriate for the occasion "You don't play for the crowd, you play for the country".

Highlights of the Union Budget 2022-23

The Union Budget 2022-23 was presented by the Hon'ble Union Minister for Finance & Corporate Affairs, Smt. Nirmala Sitharaman on February 1st, 2022. Focusing mainly on the technology and infrastructure sectors, the 2022 budget also offered provisions for health and education for the upliftment of the common man. In the following article, we will be looking into some of the highlights of the Union Budget for the financial year 2022-23.



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In the milieu of a global environment pushing towards revival from the pandemic woe, Budget 2022-23 invests boldly in the future of our country, in sync with the vision sketched under *Atmanirbhar Bharat*.

Increased Capital Expenditure, which occupies the lion share, is undeniably the most imperative element of the Budget and has been envisioned as an enabler to recover from the epidemic upshot. This may push the pedals of the economy in the current scenario, where the Government through '*The PM Gati Shakti*', anticipates that increased public investment shall pave way for healthy private investment, including acceleration of job opportunities.

Also, as part of India's commitment to achieve zero-carbon emissions target by 2070, the announcement of "*Sovereign Green Bonds*" has been apt, the prime objective being mobilization of resources for green infrastructure, the



In the arena of education, world-class foreign universities and institutions shall be allowed in the GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics without hobbling institutions with domestic regulations. Undoubtedly, this marks the significance of reform and easing implementation without getting heckled in compliance.

proceeds of which shall be issued in public sector projects, which shall aid reduced carbon intensity of the economy.

The Budget extends hope for a better digital ecosystem with initiatives steering governance, education and healthcare sectors, signalling a new digi-India. The expansion proposals of '*Parivesh*' using *CPC-Green* will definitely enable fast track clearances of approvals.

Concomitantly, varied incentives for newly incorporated manufacturing entities under concessional tax regime shall stimulate the business environment of the Nation. Adequate weightage has been given to the MSMEs through extending Credit Guarantee, Emergency Credit Line Guarantee Scheme (ECLGS) and Raising & Accelerating MSME Performance (RAMP), envisioned to support and nourish the sector. The Government's outlook to reform the 16 year old SEZ Act with the intention to amplify exports and removal of glitches in the sector is welcoming.

To facilitate and stimulate the process of voluntary winding up of companies, 'the Centre for Processing Accelerated Corporate Exit (C-PACE) with process re-engineering to be established enabling the completion of process in less than six months from the present time period required of 2 years, stands pertinent in the context of ease of doing business.

In the arena of education, world-class foreign universities and institutions shall be allowed in the GIFT City to offer courses in Financial Management, FinTech, Science, Technology, Engineering and Mathematics without hobbling institutions with domestic regulations. Undoubtedly, this marks the significance of reform and easing implementation without getting heckled in compliance.

The Budget 2022-23 with a modus, assuring growth in varied paradigms of development, portrays to be designed to pursue a healthy, futuristic ecosystem, amidst adverse conditions and exhibits itself as a balanced economic model echoing to take the Nation to higher levels of excellence.

Digital Transformation in Finance – Need, Challenges and Opportunities for Professionals

The pace of technology and the changes emanated from the technology have posed many challenges especially for the Financial Sector in the liberalized and globalized economy. In the recent past within two or three years, one can notice that the pace of changes brought in by technology is very fast and has changed the mindset of professionals, experts, scientists and so forth. Now, there is an imperative need cast on the part of every type of business organization to go along with the changes taking place not only in India but at the global level. Digital transformation is a holistic approach to financial management that relies on the digital landscape and innovative technology. India being one of the fastest-growing economies, Fintech platforms are scaling up at a greater position. Delivering a wide range of market opportunities for both innovative and traditional lenders, the new-age lending platforms have catered to a large segment of online banking customers. Business Finance will drive deep data-driven business insight and foresight and integrate risk-intelligent planning models to support the business objectives and position Finance leaders as valuable business partners. Taking a cue from the consumers' preference towards digital, businesses have started to transform their core to adopt digitalization and define their digital transformation. No doubt, these changes may purport to revolutionize the way an organization manages its financial function and the associated processes, internal controls and financial reporting. An attempt is made in this article to highlight the need, challenges and opportunities available for professionals in the arena of digital transformation of finance.



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INTRODUCTION

We observe that today the business has become more complex and challenging on account of the permeation of ICT in all sectors of the economy. The pace of technology and the changes emanated from the technology have posed many

challenges especially for the Financial Sector in the liberalized and globalized economy. In the recent past within two or three years, one can notice that the pace of technology is very fast and has changed the mindset of professionals, experts, scientists and so forth. Now, there is an imperative need cast on the part of every type of business organization to go along with the changes taking place not only in India but at the global level. As we all know that an economy is made up of many different segments called sectors. These sectors are comprised of different businesses that provide goods and services to consumers. One among these sectors is the Financial Service sector. In this sector, the digital changes are so dynamic and vibrant that Finance professionals have to acclimatize and familiarize with the digital changes taking place in banks, investment houses, creditors and supplier of funds, finance companies, real estate brokers, and insurance companies.

FINANCE TRANSFORMATION

Finance Transformation is a set of offerings that assist finance executives to assess their finance strategy and vision, and helps to design and implement change to their finance organization, process and systems to improve the overall value of finance. Digital transformation is a holistic approach to financial management that relies on the digital landscape and innovative technology. Enterprise digital transformation is about transforming the customer experience and meeting the customers' redefined expectations in the liberalized and globalized knowledge era.

NEED FOR DIGITAL TRANSFORMATION IN FINANCE

Today digital transformation is the need of the hour. Digital Transformation in finance is now a realistic goal due to the widespread availability of business data; teams' ability to process large sets of data using accessible algorithms and analytic methods; and improvements in connectivity tools and platforms, such as sensors and cloud computing. Use of innovative technologies is driving and accelerating

the exponential possibilities of digitalization and mandate business organizations to adapt to their respective business. The stimulus is often coming from the front-end of the business where digitization is completely transforming the way we work, live, and relax. Innovations in technology and management practices are creating new opportunities for the finance function to add value to the business. In the near future, financial transformation is expected to comprise of restructuring and implementation of the finance operating model, accounting and finance organizations; accounting and finance processes; financial capabilities; and re-platforming of finance and accounting systems.

Finance transformation has become more challenging in recent years on account of the following phenomena:

- (a) The perceptible change in the mindset of consumers has warranted and mandated companies and firms to go digital.
- (b) The pace of changes in technology has driven the business organizations to learn, adapt and adopt modern digital transformation. It is interesting to note that the average length of time that a company remains on the S&P 500 Index has fallen from around 60 years to closer to 18 in the last 50 years.
- (c) A paradigm shift to digital and availability of wealth of modern technologies calling for professionals in the field of data scientists and data analytics made business more complex and challenging.
- (d) Further, there is an enhanced necessity to make finance processes easy, simple, friendly, transparent and agile.

ACCELERATION OF INDIAN ECONOMY THROUGH FINTECHS – AN INDIAN PERSPECTIVE

India being one of the fastest-growing economies, Fintech platforms are scaling up at a greater position. Delivering a wide range of market opportunities for both innovative and traditional lenders, the new-age lending platforms have catered to a large segment of online banking customers. FinTechs have enabled transparency of financial requirements and services catering to convenient access eliminating the need to visit bank branches. FinTechs have offered quicker turnaround times on digital lending platforms than the Traditional system at banks. Expanding the existing capabilities into the Digital realm, FinTechs have accelerated the Indian Economy to get back to the growth trajectory.

While digital disruption in Finance is fast becoming an inescapable reality, the Deloitte's 2016 Global Outsourcing Survey reveals that most CFOs remain grossly underprepared. Finance leaders today have metamorphosed as strategic copilots to the CEO and have the opportunity to play a lead role in shaping the digital agenda of the organization. Digital transformation of Finance holds the key to make this shift work toward a digital organization – as routine processes get automated and exponential technologies usher in the power of unmatched computing to support the judgement and decision-making roles of the CFO.

Digital Transformation in finance is now a realistic goal due to the widespread availability of business data; teams' ability to process large sets of data using accessible algorithms and analytic methods; and improvements in connectivity tools and platforms, such as sensors and cloud computing. Use of innovative technologies is driving and accelerating the exponential possibilities of digitization and mandate business organizations to adapt to their respective business. The stimulus is often coming from the front-end of the business where digitization is completely transforming the way we work, live, and relax. Innovations in technology and management practices are creating new opportunities for the finance function to add value to the business.

In the Banking, Financial Services and Industry, during post-pandemic, customer onboarding across certain months has equaled that of the annual numbers noticed during the non-pandemic years. Sourcing new customers has also become easy powered by digital growth. As a result of the seamless customer experiences, transparent communication about services, and offerings, and the option to select the offerings of one's needs, customer requests through digital channel has increased from 40% to 75%. Thanks to the convenience of trading online, the stock market has onboarded more than 10 million customers this year so far. The share of mobile trading has reached 23.4%, emerging as the second biggest trading contributor.

In the insurance sector, consumers responded faster than the industry to the pandemic and the trend of digital transformation. There was an 80 per cent growth in online consumer search in India for life insurance during the pandemic. The digital drive is being observed in small finance banks too. These banks traditionally followed a very high-touch model, with customers and bank managers interacting frequently. But now, these banks have decentralized their contact centres and introduced cloud-based contact centres. This has helped the banks engage with their customers better.

These trends in technology have driven Banking and Financial Services companies to minimize their documentation and invest in training employees in digital services. The key here is to optimize internal processes through creating a Robotic Process Automation roadmap, automating processes to reduce dependency on humans, and creating a system-driven process, starting with operations and touching other bank functions as well. Multichannel digital servicing through conversational bots and WhatsApp have also helped financial institutions.



DIGITAL TRANSFORMATION TRENDS IN INDIA

- (a) **Mobile Banking:** Mobile Banking reduces the need to visit brick-and-mortar banks enabling customers to conveniently transfer funds, deposit checks and apply for loans through mobile devices. Online banking ensures 24x7-customer access to financial services reducing the delay.
- (b) **Big Data:** Big Data play a crucial role in the finance industry to process the data and derive analytical solutions serving the customers effectively tailoring the services based the customer insights.
- (c) **Mobile Applications:** While the banks are digitally transforming, third-party financial service providers are also competing with the banks to deliver customer excellence. Banks are integrating third part mobile apps delivering enhanced services ensuring transparency and eliminating the need to have an intermediate SPOC.
- (d) **Automated Wealth Managers:** AI-enabled Automated Wealth Managers use complex algorithms to calculate the best investment opportunities, enabling the financial institutions to achieve business objectives.
- (e) **Fin Tech:** Banks are leveraging FinTechs to deliver enhanced finance services ensuring a 24x7 Omni-channel banking experience. Revolutionizing the finance sector, fintech like customer service Chatbots, expenditure tracking, and online budgeting are enabling exuberant customer support.

TECHNOLOGIES THAT RESHAPE THE FINANCIAL SERVICES

A few powerful technologies that have contributed to digital transformation in the financial sector are:

CLOUD

The adoption of cloud in finance has brought a noticeable swiftness and acceleration into the system. The SaaS-based cloud applications for business processes like HR and Accounting have transformed financial institutions' working scenario.

Security and compliance are crucial problems of financial services/ solutions. Cloud-enabled applications provide increased security to the entire system and scale data for critical functions like consumer payments, credit scoring, statements and billings.

The cloud's intrinsic features such as resource pooling, availability, on-demand service, security, and easy maintenance are the primary reason for its growth and popularity among various organizations.

ROBOTIC PROCESS AUTOMATION [RPA]

RPA also referred to as software robotics, is an innovative technology that allows automation of digital tasks. It is extensively used to streamline enterprise operations, increase productivity and reduce costs. RPA enables bots to emulate and integrate human actions interacting with digital systems to execute business processes.

Financial institutions are mainly benefitted from the ability of data visualization techniques to reveal patterns and anomalies. Trending data are easy to see and analyze with charts or graphs rather than fixed data points. The ability to dig deeper into data patterns allows better decision-making. Such advantages of data visualization provide businesses a true competitive edge.

Financial institutions utilize RPA technology to automate transaction processing and communication across various systems. Robotics in finance used mainly for:

- (i) Treasury processes
- (ii) Budgeting, planning and forecasting
- (iii) Billings and accounting
- (iv) Inter-company transactions, allocations and adjustments and journal entry
- (v) Reporting- internal as well as external finances

DATA VISUALIZATION

Graphical representation of data through visual elements like graphs, charts and maps are termed as data visualization. Tools for data visualization like Tableau and Power BI provide an accessible way to observe and understand data patterns, trends and outliers.

Data visualization is the key to gain insights into financial data. Analysts can easily track and predict organizational performance based on the data patterns. It helps to track both financial and non-financial KPIs. By correlating KPI metrics and data analysis, performance is highly improved.

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BLOCKCHAIN

Blockchain technology stands out of all other technologies that have disrupted the finance industry. It has completely revolutionized the economy and changed the way of transaction processing. Blockchain is a distributed technology that acts as a decentralized database and provides absolute security to its financial data. It implements advanced encryption algorithms to safeguard data and verify transactions. It ensures that only authorized users can edit

the data using the private key. Smart Contract is the most effective application of Blockchain in the finance world. Smart Contracts help to automate the execution of commercial agreements and transactions. Blockchain entertains no middlemen; thus, Smart contracts tend to become more secure than traditional contracts. The other applications of Blockchain in finance include one-time KYC verification, fraud reduction, efficient trading and many more.

CHALLENGES ENVISAGED

- (i) The finance organization of the future will look drastically different from the shape and form it exists today. Operational Finance will transform into Finance Factory, with fully automated transaction processing. While the Finance control center monitors the process performance, global process owners direct continuous improvement in the processes and the teams.
- (ii) Business Finance will drive deep data-driven business insight and foresight and integrate risk-intelligent planning models to support the business objectives and position Finance leaders as valuable business partners.
- (iii) Specialized Finance will provide deep subject-matter expertise, guidance, direction, insight, and advice through specialists embedded in the business.
- (iv) Finance Enablers (People, Process, Systems) are required and accommodate digital technologies; and enable operational, business, and specialized finance roles.
- (v) This transformation of the finance function will be powered by the breakthrough technologies of Robotics Process Automation (RPA), In-Memory Computing, Machine Learning, Natural Language Processing, Cognitive Analytics, Internet of Things (IoT), and many others that form the building blocks of a Digital Finance Ecosystem.

MEASURES ENVISAGED TO MEET DIGITAL TRANSFORMATION IN FINANCE BY ORGANIZATIONS

Now organizations are required to identify the type of skills in technology required for the emerging global business environment. It is the duty of the professionals to determine how one can take advantage of the cloud and get the best from it. Further, the smart organizations have to identify, recruit and develop people with analytical skills, digitalize customer experience and project management skills.

DIGITAL TRANSFORMATION IN FINANCE – MULTIPLE BENEFITS

Digital transformation is essential in the financial industry because it provides multiple benefits, as enlisted here:

Standardization: With digitalization, the financial processes are set to follow the definite standard, leading to overall improved performance of the system.

Automated functions: The adoption of technical tools aims to automate the processes that were performed manually till now. Automated services such as procurement orders, invoice

generation, KYC verification, and money remittance have improved financial institutions' productivity and efficiency.

Faster performance: Using Big Data analytics and other Machine Learning tools, processes like a budget prediction to finish month-end cycles within time become more accessible and faster.

Insight-driven functions: Artificial Intelligence and Data Analysis aim to provide insights on the financial models based on the data collected

CONCLUSION

India has done a phenomenal job on the infrastructure for banking and digital money. According to Mr. Dhiraj Bhandary, Partner at Deloitte India, India's digital journey began when we adopted GST in the year 2017. He said that in the beginning of The Covid-19 Pandemic, the finance sector faced a complete chaos. But once things began settling down, the relevance of digital transformation hit the industry. The biggest challenge in bringing digital transformation in Indian banking sector is fulfilling the various needs of a diverse population. Indians also have trust issue with digital banking solutions. This may be because of lack of proper knowledge about the banking system. No doubt, the challenges emanated on account of digital transformation in Financial Sector have provided many opportunities for the analytical minded professionals.

The financial services industry is probably the most important sector of the economy accelerating the business leaders in terms of earnings and equity market capitalization. This digital pace has resulted in a higher proportion of project-related teams, more IT and technology-related job families, more data analysts, data interpreters and teams focused on the future to assist better decisions rather than reporting on the past. Taking a cue from the consumers' preference towards digital, businesses have started to transform their core to adopt digital and define their digital transformation. Further, with the core businesses becoming more digitalized, finance function is not behind in adopting the digital trend. In fact, most of the finance professionals are looking to learn, adapt and adopt this change in their organizations toward digitalized. No doubt, these changes may purport to revolutionize the way an organization manages its financial function and the associated processes, internal controls and financial reporting.



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Preponderance of Probabilities in Proceedings in Matters of Insider Trading

Direct evidence is always desirable in a legal proceeding for establishing a fact. However, insider trading involves illegitimate use of or access to information or informal understanding for which it is hard to produce clear evidence. But this cannot leave the regulator helpless. The article discusses intricacies in establishing facts and preponderance of probabilities resorted in proceedings for violation of insider trading.



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INTRODUCTION

INSIDER TRADING – IMPEDIMENT FOR THE DEVELOPED SECURITIES MARKET

Promotion and development of securities market and ensuring investors' protection and market integrity are key objectives of Securities and Exchange Board of India (SEBI). Free and open access to information by investors is founding stone for development of healthy securities market. Insider trading leads to imperfect market and eventually loss to investors at the benefit of handful of insiders who are privy to inside information. Such manipulative practice grinds down the investors' confidence and derails the orderly growth of securities market. Market integrity, facilitated by qualitative and timely relevant information to public at large, is also essential for foreign direct and portfolio investment and, thus, overall economic growth of the nation.

REGULATORY MEASURES BY SEBI

SEBI has been taking commendable efforts to protect the investors against the unscrupulous conduct of insiders. Over recent times, SEBI has taken major steps in strengthening regulations for prevention of insider trading, machinery for monitoring trades as well as prosecuting the offenders. In terms of the powers available under

Section 11(4)/ 11(4A) / 11B of the SEBI Act, 1992 ('the Act'), SEBI has been taking stringent actions against insider trading which include –

- a) restraining persons from accessing the securities market including dealing in securities (including units of mutual funds), directly or indirectly or being associated with the securities market for an appropriate period
- b) Disgorgement of wrongful gain made or loss avoided and for this purpose attaching the bank accounts, demat accounts and other property
- c) Direction not to dispose or alienate any assets till the impounded amount is deposited in escrow account
- d) Imposition of penalty

SEBI has wide powers to investigate into violation of the Act and has powers for calling for information and records from any person including any bank or any other authority relevant to any investigation or inquiry by SEBI in respect of any transaction in securities and, while exercising such powers, has powers of a civil court under the Code of Civil Procedure, 1908.

KEY LEGAL PROVISIONS FOR PROHIBITION OF INSIDER TRADING

SEBI (Prohibition of Insider Trading) Regulations, 2015 (originally enacted in 1992) ('Regulations'), *inter alia*, prohibit an insider from trading in securities when in possession of Unpublished Price Sensitive Information (UPSI). Regulations also prohibit insiders from communicating UPSI to any other person except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

When a person who trades in securities has been in possession of UPSI, his trades are presumed to have been motivated by the knowledge and awareness of such information in his possession, irrespective of reasons for which he trades or the purposes to which he applies the proceeds of the transactions. However, regulations provide that insider may prove his innocence by demonstrating the circumstances which lead to inference that the trade was not motivated by possession of UPSI, and he would have traded irrespective of being in such possession or not.

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The onus of proving that a certain person was in possession of or had access to UPSI at the time of trading is on SEBI after which the person who has so traded may demonstrate that he was not in such possession or that he has not traded or he could not access or that his trading when in possession of such information was squarely covered by the exonerating circumstances. In case of failure to so demonstrate, he is considered to have violated the Regulations.

So, to bring a charge of insider trading, a person being in possession of or having access to UPSI and trading by him while being in such possession of or having such access are the two necessary elements which SEBI needs to establish. In this context, definition of 'insider' becomes relevant which states that "insider" means any person who is a connected person, or in possession of or having access to UPSI. Regulations define 'connected person' as any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to UPSI or is reasonably expected to allow such access. The definition also includes certain categories of persons who are deemed to be connected persons unless the contrary is established. Thus, association of a person with a company which allows or is reasonably expected to allow him, directly or indirectly, access to UPSI is sufficient for him to be considered as connected person and therefore an insider. He need not be in actual possession of UPSI for being considered as connected person. Regulations state that in the case of

connected persons the onus of establishing that they were not in possession of UPSI is on such connected persons. In other cases, SEBI has to prove that the person was in possession of or having access to UPSI.

EVIDENCE OF INSIDER TRADING

While whether a person has traded or not is easier to be proved based on records of stock exchanges and depositories, whether he had access to UPSI or not may not be possible to be proved depending upon availability of evidence. Under Section 3 of the Indian Evidence Act, 1872, a fact is said to be proved when, after considering the matters before it, the Court either believes it to exist, or considers its existence so probable that a prudent man ought, under the circumstances of the particular case, to act upon the supposition that it exists. Many times, clear evidence is not available for informal understanding or oral communication of one person with another. However, this does not mean that the guilty cannot be punished in the absence of absolute evidence of violation. In *SEBI v. Kishore R. Ajmera* (2016), Hon'ble Supreme Court has held that 'It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.'

Accordingly, in the absence of direct evidence, the facts and circumstances are considered in proceedings against insider trading and a reasonable conclusion is drawn on the basis of preponderance of probabilities. In the following cases it can be seen how SEBI / Securities Appellate Tribunal (SAT) / Hon'ble Supreme Court (SC) has considered the prevailing circumstances and concluded as to whether a person has been guilty of insider trading.

HARIHARAN VAIDYALINGAM VS SEBI (SAT 18 DECEMBER 2020)

Appellant was nominee director of Multi Commodity Exchange of India Ltd. (MCX) nominated by Financial Technologies (India) Limited (FTIL) from 2002 to 2012 and director of National Spot Exchange Limited (NSE) since May 2005 till December 2011. He was Key Managerial Person of NSEL for FY 2005-06 to 2009-10. He was one of the biggest recipients of shares under ESOP given by MCX in 2006 and 2008. MCX and NSEL were promoted by FTIL and were represented as group companies.



In this case, UPSI was a show cause notice dated 27 April 2012 issued by the Department of Corporate Affairs to NSEL about non-adherence of terms and conditions of exemption given to it in respect of certain forward contracts from operation of Forward Contracts (Regulation) Act, 1952. Appellant sold shares of MCX during 3 July 2012 to 30 August 2012 when he had resigned from NSEL as well as MCX and left for Singapore as he was made the Chief Executive Officer of SMX (a global exchange set up by FTIL group). SEBI held the appellant guilty of insider trading in respect of aforesaid sale of shares while in possession of UPSI.

Appellant contended that the said information does not pertain to MCX of which the shares were sold by the appellant. SAT upheld SEBI's view that since MCX is NSEL's sister company and under the common holding of FTIL, there was a likelihood that the information would also have materially impacted the price of MCX.

Appellant contended that he was not concerned with MCX, FTIL or NSEL and, therefore, he was not an insider and had no knowledge of the above information when he traded in the shares of MCX. Based on aforesaid association of appellant with MCX, FTIL and NSEL, SEBI had held that the appellant was surely performing certain significant and valuable functions for MCX, FTIL and NSEL and continued to be a core member of the FTIL group and the circumstantial evidence pointed that the appellant had access to UPSI. He was acting in dual capacity as director of NSEL and MCX for a long period. Thus, he was considered as a connected person to MCX. SAT upheld SEBI's view that being a nominee director for FTIL on the board of MCX the appellant had to take its views and information from FTIL necessarily which included access of the information of NSEL in which FTIL had 99.9% holding.

Appellant contended that the information was not UPSI since on the date of publication thereof in newspaper the price of the scrip of MCX went up and not down. SEBI repelled the submission and held that since the notice had the warning that the license of NSEL may be cancelled, it was likely that it would adversely affect price of shares of MCX also. The shareprice of a day depends on various factors and, therefore, it is not necessary that the publication of the information in question shall necessarily affect the price and only likelihood is sufficient.

Appellant also contended that he sold the shares to repay his loans and for other needs. However, it was noted that the amount of sales proceeds were much higher than the usage explained by the appellant and also that he had not sold shares held in other companies. SAT upheld SEBI's order.

UTSAV PATHAK VS SEBI (SAT 12 JUNE 2020)

Appellant was an employee of Morgan Stanley which was engaged by McGraw Hill Asian Holdings for open offer assignment for the acquisition of shares of CRISIL Ltd. This open offer was considered as UPSI. The Appellant was directly involved with the activities pertaining to the said offer. He was held guilty by SEBI for passing of the UPSI including probable pricing thereof to his relatives (tippees) who then traded in shares of CRISIL based on the said UPSI. The trading pattern of the tippees indicated that they had inside information since the tippees only traded in the shares of CRISIL and did not trade in any other shares. Tippees purchased large quantities of shares of CRISIL and sold the said shares immediately after the open offer was announced. Tippees' trading record indicated that earlier they had never traded in large quantities.

Appellant contended that tippees were all independent professional persons who could take their own decisions logically and merely having a close relationship with the tippees by itself would not hold him to be guilty unless there was some further material to draw an inference from the foundational facts.

SAT noted the relevance of circumstantial evidence relating to an insider culled out in *United States v. Larrabee* as under-

"...Moreover, several other Courts of Appeals have sustained insider trading convictions based on circumstantial evidence in considering such factors as (1) access to information; (2) relationship between the tipper and the tippee; (3) timing of contact between the tipper and the tippee; (4) timing of the trades; (5) pattern of the trades; and (6) attempts to conceal either the trades or the relationship between the tipper and the tippee."

SAT considered the foundational facts in this case as follows: a) Appellant was privy to UPSI and was directly involved with activities pertaining to open offer, thus a connected person and an insider. b) He had close relationship with the tippees. c) Appellant made attempts to conceal his relationship with the tippees as well as tried to dilute his role in the open offer process. d) Aforesaid trading pattern of the tippees made it apparently clear that the tippees had prior information with regard to the open offer. e) Tippees were also charged for insider trading and violation of the Regulations for which they filed a Settlement Application which was allowed.

From these foundational facts, the circumstantial evidence or on a preponderance of probability by a logical process of reasoning from the totality of the attending facts and circumstances as stated aforesaid, an irresistible inference was drawn that the appellant had passed on the UPSI to the tippees. SAT noted that such inference taken from the immediate and proximate facts and circumstances surrounding the events is reasonable and logical which any prudent man would arrive at such a conclusion. The charge was not based only on the basis of relationship with the tippees. SAT upheld SEBI's order.

ROHITKUMAR PREMKUMAR GUPTA VS SEBI (SAT 2 AUGUST 2021)

In this case, information of proposed merger of Bank of Rajasthan (BOR) with ICICI Bank Ltd. was considered as UPSI. UPSI period was considered as between 7 to 18 May 2010 where merger discussions took place between Pravin Tayal and Sanjay Tayal (dominant shareholders of BOR) and ICICI Bank. On 18 May 2010, BOR informed stock exchange to the effect that the Board of Directors were to convene a meeting on the same date for considering the proposed merger. Rohit Gupta (Appellant), brother of Jyotika Tayal (wife of Pravin Tayal), purchased shares of BOR on 17 and 18 May 2010 and sold the same on 25-27 May 2010. SEBI alleged that Rohit Gupta was in possession of aforesaid UPSI because of proximity with Tayal family

and hence the aforesaid trade was insider trading.

SEBI found that Jyotika Tayal was actively involved in the merger discussions and based on the proximity, an irresistible inference was drawn by SEBI that both Jyotika and Rohit Gupta had knowledge about the merger and possessed UPSI. SEBI found on the basis of substantial evidence that the appellant was not an active investor nor dealt with in any scrip except that of BOR and a few mutual funds and that he had not traded thereafter and had never traded in the scrip of BOR since 2005-06. Rohit Gupta did not have enough funds to purchase the shares and accordingly, funds were transferred from Advik Textiles of which Navin Tayal and Jyotika Tayal held 100% shares from 29 September 2008 to 2 March 2010. Thereafter they resigned and certain other noticees became directors with 50% shareholding each from 2 March 2010 to 10 September 2010 and thereafter Navin Tayal and Jyotika Tayal again became directors holding 100% shares of Advik Textiles from 5 September 2012. SEBI found that even though Navin Tayal and Jyotika Tayal had relinquished the directorship during the UPSI period, nonetheless, they still controlled the company as Navin Tayal continued to remain as the authorised signatory of the company. It was contended that the aforesaid amount was transferred pursuant to an agreement for sale dated 1 May 2010 entered between the appellant with Advik Textiles for sale of immovable property by the appellant to Advik Textiles with 2/3rd of the consideration paid up in advance. This agreement for sale was terminated on 3 June 2010 and the amount was refunded on 17 June 2010. The agreement was not a registered agreement nor there was any witness to the agreement. The address of Advik Textiles was same as that of BOR. SEBI held that the said agreement was only a sham transaction to cover up the scheme of insider trading and to fund Rohit Gupta for the purpose of purchasing the scrips of BOR.

It was contended that appellant had not involved in merger discussion and there is no evidence that appellant was privy to the negotiation and/or the UPSI. SAT, while dismissing the appeal, noted that, to attract the rigour of the Regulations, mens rea is not an indispensable requirement and the correct test is one of the preponderance of probabilities. The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified.

E-CITY HI-TECH PROJECTS LLP AND ANOTHER IN THE MATTER OF ZEE ENTERTAINMENT ENTERPRISES LTD. (SEBI 27 AUGUST 2021)

SEBI has pointed out that in insider trading cases, where direct evidence may not be available, various circumstantial evidence have to be considered in totality. In the facts and circumstances of the case, one or a few

of the circumstances may have higher weightage in view of their degree of probability of impact on the inference to be drawn as compared to others i.e., some circumstances would be more relevant than others. The weightage to be given to any circumstance is further dependent on the existence of other circumstances which may have the effect of nullifying the inference altogether or may lessen the degree of inference or strengthen the same. Therefore, what matters in assessment of what inference can be taken out of several circumstances, is not independent assessment of circumstances but joint assessment of various circumstances and their joint product on the relevant fact that all of them are capable of leading to.

In this case, trading pattern of noticee exhibited short term trading behaviour wherein noticee had been taking advantage of price movement in the scrip over a small period. Noticee showed the trading behaviour across multiple scrips including the trade in question over a period of two years before and also subsequent to the UPSI period. Other facts also revealed noticees were not directly or indirectly associated with the company, therefore they were not reasonably expected to have access to UPSI and that the trade in question was not based on UPSI but based on off-used trading strategy. No charge of insider trading was established.

PRANSHU BHUTRA AND OTHERS IN THE MATTER OF INFOSYS LTD. (SEBI 15 SEPTEMBER 2021)

SEBI alleged wrongful communication of UPSI, being financial results for quarter ended June 2020, by certain employees of Infosys and trading by connected trading firms based on such UPSI. SEBI prima-facie observed that noticee no. 8 (Senior Principal in Corporate Accounting Group and a designated person of Infosys) had communicated the UPSI to noticee no. 1 (Senior Corporate Counsel of Infosys) who further communicated the same to his second cousin noticee no. 2 who procured it and further communicated it to noticee no. 3. It was also observed that, using the said UPSI, trades were executed in Infosys scrip in the accounts of the noticees no. 4 and 5 (trading firms), which prima-facie suggested that the said trades were executed based on UPSI. SEBI found that there was frequent telephone communication especially in UPSI period between notices no. 8 and 1, and between notices no. 1 and 2 who was partner of the said trading firms.

Noticee no. 8 contended that he / his team member(s) was not involved in the preparation of financial results, except for occasionally reporting liabilities/expenditures which does not constitute UPSI, and also that his interaction with notice no. 1 was purely bonafide and for official purposes.

Noticee no. 1 submitted that his interaction with noticee no. 8 was for official purpose only and that the interactions in UPSI period were not a one-off event, but were part of the ongoing professional interactions. He also submitted that

SEBI noted that there would always be a new and smarter breed of investors who, either by using their innovative mind or through the use of technology, would try to take advantage of extant regulatory framework under the guise of non-conventional strategies. As a regulator, it is the bounden duty of SEBI to keep evolving with the times so as to truly give meaning and import to the preamble and object of the SEBI Act, 1992.

he and noticee no. 2 were second cousins and frequently communicated with each other in normal course. In support of such contention, noticee no. 1 provided call details history for a long period of time prior to and subsequent to the UPSI period.

Noticees no. 2 to 7 contended that they were never in possession of UPSI and the trading pattern noticed in Infosys scrip during the UPSI period was part of their normal trading behaviour as they were professional traders and had followed the same trading pattern in Infosys scrip in other quarters also. Due to a massive boom in IT sector triggered by the worldwide lockdown imposed due to COVID-19, the investment and trading community as a whole was bullish on IT sector companies. They found Infosys scrip to be the most rewarding due to its attractive valuation and lack of movement in line with its peers prior to financial disclosures. At the same time, Infosys' management was continuously making positive commentary regarding its business.

SEBI noted that noticee no. 8 has been a 'Designated Person' and his job profile at a senior position in Corporate Finance department makes a prima facie case for him to be a connected person who can be expected to have reasonable access to the UPSI. This prima-facie observation coupled with series of phone calls between noticees no. 1 and 8 and, thereafter from noticee no. 1 to noticee no. 2 prior to the trades executed by noticees no. 4 and 5, were bound to give rise to a bonafide primafacie suspicion of insider trading based on preponderance of probabilities caused by the above noted chain of connections. SEBI stated that burden of proof lies upon noticees no. 1 and 2 to prove that there was indeed no communication of UPSI during their frequent conversations. SEBI held that possibility of communication of UPSI by noticee no. 8 to 1 and then from noticee no. 1 to 2 and trades by noticees no. 4 and 5 based on such UPSI cannot be completely ruled out. Trading strategy of noticees no. 4 and 5 was not considered to be conclusive of ruling out possibility of insider trading.



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RAJESH BHATIA AND GEETA BHATIA IN THE MATTER OF TREE HOUSE EDUCATION AND ACCESSORIES LIMITED (THEAL) (SEBI 24 MAY 2021)

SEBI alleged sale of THEAL shares by noticees (promoters of THEAL) based on UPSI being proposed merger of THEAL and Zee Learn Ltd. It was contended, *inter alia*, that the said sale was made only with the purpose to repay the loan due to the banks and the sale proceeds were entirely utilised for the purpose of repayment of loans to the banks. SEBI noted that sales proceeds were far in excess of the actual amount recalled by the lenders and also far in excess of the total liability of outstanding towards all the lenders. Further, the noticees had also not adduced any evidence to demonstrate that they had no other assets to meet the demand of the lenders and were left with no other option but to sell the shares to meet the loan repayment obligation. The aforesaid contention was not accepted by SEBI.

CHINTALAPATI SRINIVASA RAJU VS SEBI (SC 2018)

Appellant (C S Raju), who was a promoter (as per shareholding pattern filed with stock exchanges) and director of Satyam Computer Services Limited (SCSL), had sold his shares in SCSL from February 2001 to December 2008. He was an executive director of SCSL from 1993 up to August 2000 and a non-executive director thereafter till 23 January 2003. He was also co-brother of B. Ramalinga

Raju, Chairman of SCSL. Vide letter dated 7 January 2009, B. Ramalinga Raju, sent a letter to stock exchanges and SEBI stating that financial statements of SCSL had been grossly overstated and did not reflect the true and fair view of the financial position of SCSL.

SEBI and SAT found the appellant guilty of insider trading in respect of aforesaid sale of shares based on knowledge of UPSI of misstatement of financial statements. UPSI was considered to come into existence on 31.3.2001 since when manipulation of financial statements began. SEBI held him to be insider as per Reg. 2(e)(i) of Prohibition of Insider Trading Regulations, 1992 based on the fact that he was as director of SCSL as aforesaid. The finding of Serious Frauds Investigation Office (SFIO) that only B. Ramalinga Raju and his cohorts were involved in the manipulations of accounts of SCSL, and had hidden the same from and deceived the rest of the board of directors, was not relied upon by SEBI stating that its investigation is independent and separate from that of other investigation agencies and that since the appellant was part of the board of directors and declared as a promoter in disclosures filed by SCSL with stock exchanges, and being a co-brother of B. Ramalinga Raju, he was closely connected with SCSL and its Chairman and could have in all probability known about affairs of SCSL.

Majority judgment of SAT considered five factors in ultimately holding the appellant as insider, viz, (i) that he was a promoter; (ii) that he promoted two joint venture companies which were closely linked with SCSL; (iii) that one of these companies ultimately merged with SCSL; (iv) that he would continue as a director till he was replaced; and (v) that he was co-brother of B. Ramalinga Raju.

Hon'ble Supreme Court held that as per Regulation 2(e)(i), a person, in order to be considered as insider, should, in addition to being a connected person, must reasonably be expected to have access to UPSI by virtue of such connection. The expression reasonably expected cannot be a mere *ipse dixit* but there must be material to show that such person can reasonably be so expected to have

Preponderance of Probabilities in Proceedings in Matters of Insider Trading

access to UPSI. Hon'ble Supreme Court considered minority judgement of SAT which relied upon findings in SFIO's report. It was noted that as per number of judgements laid down earlier, a non-executive director cannot be considered to be in charge of or control of business. Nothing had been shown to indicate that, on facts, such executive salaried director was in any manner in control of SCSL directly or indirectly so as to consider him as promoter. It was not shown how the appellant was in any manner responsible for actions taken by those in the management of SCSL. Hon'ble Supreme Court also noted finding of minority judgement of SAT that the appellant had compelling reasons to sell shares and that his trading pattern also demonstrated that he was not in possession of UPSI. The appellant was selling shares even before the relevant period to fund his newly created venture capital investment business. The appellant did not sell his entire shareholding at one go, but sold his shareholding as and when he had a business requirement. The sale proceeds went to fund the appellant's business requirement over a period of time. While the actual promoters sold their entire shareholding by 2005, the appellant continued to have his shareholding till the end of year 2008 when he sold huge chunk of his shareholding, which clearly pointed to lack of possession of UPSI.

It was held that from the mere fact that the appellant promoted two joint venture companies, one of which ultimately merged with SCSL, and the fact that he was a co-brother of B. Ramalinga Raju, without more, cannot be stated to be foundational facts from which an inference of reasonably being expected to be in the knowledge of confidential information can be formed.

UDAYANT MALHOUTRA IN THE MATTER OF DYNAMATIC TECHNOLOGIES LIMITED (DTL) (SEBI 18 DECEMBER 2020)

Noticee, CEO & Managing Director of DTL, was found to have traded in shares of DTL while being in possession of UPSI (consolidated financial results for quarter ended September 2016 which was announced on 11 November 2016). Trade was carried out on 24 October 2016 when share price was 52 week high. Consolidated net profit after tax (NPAT) for quarter ended September 2016 had decreased by 37.27% over the previous quarter. On 15 November 2016, share price decreased by about 10% as compared to closing price on the last trading day i. e. 11 November 2016. SEBI alleged the trade as insider trading based on UPSI to avoid the loss on account of decrease in NPAT.

Noticee demonstrated that the sale of shares was in pursuance of covenants entered into with lenders for new loan which required the promoter group of DTL to reduce percentage of shares pledged by the promoter group to 7.5% from 24.94%, as a condition for disbursement of the loan

to enable DTL to undertake a project of national importance. Reduction in the quantum of promoter pledged holding in favour of existing lenders entailed repayment of loans due to the pledgee (IL&FS) which was financed substantially by a refinancing arrangement with new lenders and partly by sale of the promoter holding. IL&FS released the pledge on 24 October 2016, post which noticee sold the shares and clearly used the proceeds to repay the indebtedness due to IL&FS. Therefore, the trade was executed in furtherance of meeting bonafide pre-existing obligations. SEBI noted that in *Abhijit Rajan vs. SEBI (2019)*, SAT observed that – 'even if it is assumed that the information is a price sensitive information, still the appellant cannot be blamed of insider trading for the reasons that he did not trade "on the basis of the information"'. The appellant was able to show his dire need to infuse fund in the entity under the master restructuring agreement to implement a Corporate Debt Restructuring package. He was even required to sell his agricultural land and flat. In the case of *Rajiv B. Gandhi* on fact this Tribunal held that the appellants therein were able to rebut the presumption that they traded on the basis of UPSI as they had a necessity to sell the shares. Similar is the case of *Gujarat NRE Mineral Resources Ltd. and Mrs. Chandrakala* decided by this Tribunal.'

The decrease in NPAT majorly attributed to decline in revenue of two of DTL's subsidiaries. Noticee submitted that he was not marked either on emails received containing standalone financials of the said two subsidiaries, or email sent to the auditors by officials of DTL after consolidating the financials of subsidiaries and, in line with the Secretarial Standard 1, agenda for the board meeting was shared on 4 November 2016 but the detailed notes on UPSI related agenda was circulated on 11 November 2016 and, thus, he was not in possession of the UPSI. The charge of insider trading was not established against the noticee.

SUMMING UP

Adjudication proceedings for offence of insider trading under the SEBI Act is a civil proceeding. Proof beyond reasonable doubt is proof by a higher standard which generally governs criminal trials or quasi-criminal trials. However, in trials of civil nature, a fact can be said to be established if it is proved by a preponderance of probabilities wherein the facts and circumstances are considered in totality to arrive at a logical conclusion based on prudence. This may not be an easy task and it is possible that the conclusion reached is disputable. While the degree of standard of proof required in civil trials is not high as criminal trials, SAT has held in *Dilip S. Pendse vs. SEBI (2009)* that 'the charge of insider trading is one of the most serious charges in relation to the securities market and having regard to the gravity of this wrongdoing, higher must be the preponderance of probabilities in establishing the same.'

Absence of clear evidence must not be a hindrance in adjudication or trials of insider trading. In the pursuit of investor protection, it is imperative that insider trading is not tolerated and all facts along with their inter-linkages are evaluated to establish the misdeed and punish the guilty. ☐

Influence of Technological Advancement on the Financial Market in India

Several swift and revolutionary technological advancements and developments have shaped, and continue to shape, today's globe. Advances in information and communications technology, generally known as information technology or IT, are responsible for the majority of the changes that have happened in industrialized economies. In India, Technological development has helped financial market in several ways. There has been drastic change in the way Indian market operates in last few years. Availability of internet at cheaper price, easy and improved access to the information, rapid improvement in physical infrastructure have combine influenced the efficiency of stock market. Current research study has summarized the recent technological advancement in stock market and their influence.



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INTRODUCTION

We are in the midst of a revolution that, in some ways, outnumbers the industrial revolution. On a global and individual level, the digital world, propelled by the Internet, has altered how we live and manage our finances. With these rapid technological advancements, industries and our everyday lives have altered to accommodate being interconnected and having access to all of the resources that the Internet has to offer, anywhere and at any time. The financial services industry is one of the industries that has

benefited the most from immediate access to information. Financial services cover a wide range of services, from personal banking to high-frequency stock and option trading.

As businesses and sectors adopt innovative solutions such as digital payments, online banking, and cashless transactions, technology is reshaping economies. The use of digital technology in financial markets is altering market operations (Shukla & Nerlekar, 2019). Indeed, technology advancements in capital markets are providing chances to increase flexibility, scale economies, and minimize market complexity. Disruptive technology has the same impact on capital markets as fire did on the cavemen. In the context of the capital market, new technology-assisted solutions are simply increasing human capacities. Machine learning and artificial intelligence are currently applied in financial institutions and other fields such as investment trading (Steib, 2021). In this situation, technology is not a replacement for the human brain, but rather a tool for making it wiser.

LITERATURE REVIEW

Several research studies and articles have been published on this topic, here researcher has summarized several major articles and reports which were referred during the review study. It has given a specific direction to the research study and also provided the valuable information regarding the topic;

(Gomber et al., 2017) tried to assess the current state of research and development in digital finance and fintech industries. Author majorly aimed on digital finance business functions, relevant technologies and technological concepts as well as institutions providing digital finance solutions. Authors concluded that despite the fact that the financial industry has a history of being an early adopter and heavy user of new developments in information and communication technology, the emergence of innovative business models and the rise of new competitors have had a significant impact on current industry dynamics.

(Werth et al., 2020) in their research study, using statements from experts in the field, provides a comprehensive overview of the influencing factors of digital transformation. Here author have concluded that, banking and insurance face similar challenges, but they are perceived differently. Social factors and buyer bargaining power are said to have a greater impact on digital transformation in the banking

sector than in the insurance sector. Experts predict that there will be no disruptive developments, only evolutionary ones. Many incumbent companies are currently modernizing their back-end systems in order to provide better customer service and to better withstand future competitive pressure.

(Roztocki & Weistroffer, 2009), based on market reaction findings from major event studies on IT implementation announcements, authors have proposed a conceptual model describing the factors that influence IT investments. This preliminary model could be used as a jumping-off point to better understand the complex issue of stock movements related to IT investments. The model explain the influence and interactions of various factors on market reaction to IT investments.

GROWTH OF DIGITAL WORLD

The development of the personal computer and the Internet completely transformed how financial services organizations operated, transforming them from primarily paper-based to digitally-based operations. The public's ability to interact with financial services has been transformed by the Internet. Data on firms, their financial outlook, and their initial public offerings has become much more widely available, allowing anybody to participate actively in the markets. Trading using computers has proven to be substantially less expensive than trading via paper, in part because the time required to complete trades has been significantly decreased. Companies have observed a reduction in the operational risks of fraud and manipulation as a side benefit.

FACTOR INFLUENCING DIGITAL MARKET

- **Social Factors:** Financial services organizations continue to pay attention to social characteristics that describe changes in socio-cultural aspects. Companies are obliged to digitally transform, for example, by updating their customer interfaces, as a result of changing consumer behavior.

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- **Economic Factors:** The continued low interest rate environment, which has a considerable impact on the total sector, has been one of the most important elements of this market in recent years. In terms of banks, there is a definite pattern of consolidation in the banking sector, which has resulted in the closure of branch offices and, ultimately, layoffs.
- **Political Factors:** Political aspects in the financial services sector, such as regulatory difficulties, were noted as having a big impact and being linked to a high workload in operating routines, which significantly intensified following the financial crisis. Because of their comparatively high expenses, small banks and insurance companies have a particularly difficult time implementing and enforcing regulatory issues.
- **Technological Factors:** Companies can benefit from new technologies as well by encouraging digital transformation. Artificial intelligence, big data analytics,



block chain, cognitive theories, etc. were all mentioned as important to the financial services industry by our interviewees. While good factors like possible cost savings or profitable ways to sell products were noted, negative aspects like a lack of trust and the resulting uncertainty were also acknowledged.

DIGITIZATION AND FINANCIAL MARKET

The goal of digital approaches is to educate, engage, and execute clients/prospects in their business (Werth et al., 2020). It began as 'add-on' but has since evolved into 'must-have.' It has become an essential distribution channel in financial services. The goal of financial product providers is to cut costs while increasing revenues. The goal for financial product agents is to increase revenue. Company websites, external portals, social media, smartphone applications, web-chat, IVR phone service, presence on web-aggregators, SMS, email, and other digital means are the major examples of digital method. Owning media entails owning websites. Earned media refers to customer evaluations, mentions, posts, and shares made willingly on social media properties (Gomber et al., 2017). Paid media refers to advertisements/promotions that are purchased.

Following are the major activities which were making major influence on the financial market;

- **Engagement of the Clients:** Clients can purchase the merchandise digitally. Product information is now available across multiple platforms. As a result, while product knowledge is not often the primary requirement of clients who visit the company's digital platforms, access to goods for purchase is. Clients, for example, may review mutual fund investment information on third-party web-aggregator platforms rather than the fund's platform, but they may purchase directly via the fund's portal.
- **Generation of Lead:** Digital approaches, another high-impact sector, assist encourage audience participation through online contests, advertising, or online tools. These are tried-and-true ways for increasing audience interaction on social media. This audience engagement allows the company to make direct contact with leads, who can then be followed up with a more tailored pitch. The conversion of audience participation into lead generation is a critical statistic that helps businesses determine whether or not their digital marketing initiatives are on track.
- **Product and Service Promotion:** A high-impact area in which both company-owned and third-party-owned platforms provide access to product information. This includes product comparisons, in which clients can compare product attributes directly. The product-comparison tool is a marketing strategy used to persuade customers to make a purchase choice. For example, web-aggregators have emerged that save product information and allow clients to compare them based on numerous factors.
- **Feedback and Other Services:** This is yet another must-have for all firms, not just those in the financial

sector. Digital techniques of customer servicing assist in tracking the status of client queries and reducing turnaround times and servicing costs. Because it is simple to analyse efficacy, it is critical in determining client happiness and the need for any modifications. Many websites, for example, have web-chat services that respond to client inquiries instantly. Many social media networks allow users to record customer grievances, which are promptly addressed. IVR phone capabilities enable direct transfer to the department to which the client's enquiry applies.

There were several companies are providing updated trading platforms to provide smarter solutions for modern day traders;

- There are organizations that combine machine learning technology with high-speed and big data processing power to provide their clients with ongoing assessments of compliance risk. It occurs because an AI platform allows for the real-time detection of complicated trading patterns on a large scale across various markets.
- Trading is becoming more democratized because to technological advancements. Data science generates trading techniques that solve financial difficulties, so investors no longer need to rely on professionals. Some companies even provide end-to-end machine learning, data science, artificial intelligence, and software development services for businesses, including the trading industry (Roztocki & Weistroffer, 2009).

In a nutshell, industry leaders should embrace these cutting-edge technologies, which will continue to transform the capital markets environment in the coming years. For technology-driven capital market changes, data and analytics are critical accelerators. At the same time, developments in machine learning and artificial intelligence enable the forecast of unusual market risks and events, as well as the detection of market manipulation. As a result, the way forward is to take use of technology and put it to new uses in order to expand markets (Roztocki & Weistroffer, 2009).

WAY FORWARD

Retail brokerages have abolished the costs of trading in the previous decade while continuing to serve customers with the same services they have always provided: trading stocks without initial costs, account minimums, or fees. The lack of a cost barrier is attracting an increasing number of new and mainly younger individual investors looking to invest for their future. We arrived to this position thanks to the Internet, and none of it would have been conceivable without it. In 1992, the first brokerage, E-Trade, made it possible to trade over the Internet for the first time, and it quickly became popular since it allowed regular people to participate in electronic trading. Since then, online investing has grown to the point where practically all trades are now conducted electronically, and anyone may open a brokerage account and participate in the market.

The ease of access has not been without its drawbacks. As new investors enter the market with no past experience, there is definitely a need for education. Younger people

Artificial intelligence is the science of creating computer algorithms that can understand or mimic human intelligence (AI). The banking business is known for processing vast volumes of data, keeping accurate historical records, and being a data-driven industry. As a result, finance is a great place to start integrating AI. Artificial intelligence financial advisors will be able to manage our accounts in the future in the best possible way, but they will come with their own set of disadvantages.

have a reputation for being risk takers, and while it is easier to get in and out of stock positions since they are free to trade, those moves still involve risk, which investors should be mindful of. Platforms like Robinhood have indicated that they are extending their resources to educate investors on the hazards of investing and provide them with the knowledge they need to succeed, based on their previous experiences.

In recent years, artificial intelligence (AI), also known as machine learning, has become a trendy topic. Many others believe that technology will eventually eliminate even more jobs. Artificial intelligence is the science of creating computer algorithms that can understand or mimic human intelligence (AI). The banking business is known for processing vast volumes of data, keeping accurate historical records, and being a data-driven industry. As a result, finance is a great place to start integrating AI. Artificial intelligence financial advisors will be able to manage our accounts in the future in the best possible way, but they will come with their own set of disadvantages.

CONCLUSION

The Information Age and the availability of information through telecommunications inventions, which peaked with the Internet, is represented by an explosion of access. Information is no longer constrained by the physical limitations of printed texts or by a person's location in the world. The Internet is currently a vital resource for a large portion of the world's population. The Internet has progressed in tandem with our requirements. It's no longer merely a place to store email, static web pages, and message boards. The Internet of today is so much more. It's a lively environment for collaboration, commerce, and expression.

Although technology has enhanced financial services in general, it has also had negative consequences. Anyone can become a trader because there are virtually no entry barriers, which is a hazardous practice. While the Internet provides a wealth of knowledge, it is hard to be completely

correct all of the time. It is preferable to know more than less when it comes to dangerous trading, and with the Internet, an increasing number of people are turning to the stock market and make money.

Many aspects of the world have been altered by technology. It has significantly improved the quality of life by making it more effective and efficient. It has made trading and investing in the stock market more possible, secure, and efficient. The stock market will suffer significant losses if technology is abolished. So technology has shaped the stock market and will continue to shape the stock market's future.

We are living in exciting times of dramatically fast-paced innovation in the financial services industry in the form of novel financial products and services. Given this background, we have reviewed the macro-environmental factors and technology trends that are giving rise to this innovation, and identified some of the key research (technical) challenges that need to be overcome if we want to realize the full potential of the innovation opportunities. We visualize a future in which such financial products and services would be offered increasingly by a wide scale of stakeholders (including start-ups) outside of the traditional financial institutions to meet the high expectations and preferences of newer market segments that are emerging, (e.g., the Millennial and the ageing population). The day may not be far when a person in a remote location might "walk into" a virtual bank to order a credit card that may be delivered by a drone, or a personal assistant might help manage the investments of a Millennial.

We believe that the solutions developed in response to the research challenges faced by the financial services industry would also be broadly applicable (albeit possibly with some modifications) to other industry domains such as retail, travel & tourism, healthcare, and transportation. As a single instance, the research advances in natural language processing and contextualization of textual data may very well be applied to facilitate users in determining appropriate healthcare vendors that are aligned with their preferences or to automate insurance claims. We hope that researchers from academia, industry and other government organizations will come together to realize these innovations in the financial services space.

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Digital Financial Transformation - Emerging Scenario and Challenges

COVID-19 has in a big way impacted how business is being done and with reference to the finance function, it has speeded up the digital financial transformation which in any way had started influencing the strategic functioning of the finance managers and the regulatory response. Disruptive Technologies such as Internet of Things (IOT), Artificial Intelligence (AI) and Cloud Computing are driving a paradigm shift in the way financial and operations management have started revisiting their domain roles. New domains as Data Science, Big Data and Data Analytics have increased the demand for professionals in these areas. Alongside these trends and impacts, there are also regulatory challenges which need to be addressed. This article is an attempt by the authors to explain the concept of Digital Financial Transformation, the trends, impact and the challenges posed in the wake of this transformation.



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BACKGROUND

Digital Financial Transformation has revolutionised the way financial transactions are carried out in the business world. Just by the click of a mouse, huge sums of money can be transferred in a matter of minutes. This transformation has extended to all walks of life. The pace at which the transformation is ongoing is amazing and the benefits arising therefrom is mind boggling. However, the transformation is posing new challenges for the regulators who need to catch up fast with the developments. In this article, the focus of the subject is at the entity level.

In a rapidly changing global market scenario there is all round pressure in any organisation or entity on everyone to

perform and deliver results. When it comes to the finance function, it has a great role to play not only in terms of the well understood treasury function, but also play a stellar role in being effective while being efficient, providing valuable insights through number crunching and ultimately deliver value to the business. It is in this context of performing and delivering results by the Finance function of an entity, the reference is to Financial Transformation.

Financial Transformation at the entity level refers to the various strategic initiatives in connection with re-envisioning the entire finance function to align with the overall company strategy¹. This process would have various components such as restructuring, financial and accounting controls, measures to enhance internal financial capabilities, re-designing or revamping the financial, costing and management accounting functions and introduce various changes in the functional operations of an entity with an objective of revolutionising the way the entity functions in the emerging dynamic environment as well as address the necessary changes that would be required in the Internal Control Systems and financial reporting. It calls for a paradigm shift in the way an entity functions as also how the finance function responds to new challenges in the relevant market and the regulatory landscape.

DIGITAL FINANCIAL TRANSFORMATION

Digital Financial Transformation is a holistic approach to financial management that relies on the digital landscape and innovative technology. The emphasis is on leveraging the Information Technology (IT) to support business strategy and for adapting to dynamic business conditions. Under this situation, it has now become part of an overall business strategy seeking to continuously achieve success rather than a technology strategy².

It is apt to quote the words of Jorg Greuel in his article “Digital Transformation comes down to talent in four key areas” as under: -

“Technology is the engine of digital transformation, data is the fuel, process is the guidance system, and organizational change capability is the landing gear.”

¹ <https://www.gartner.com/en/finance/glossary/finance-transformation>

² https://www.ey.com/en_in/financial-accounting-advisory-services/digital-transformation-in-finance-insights-from-ey-survey

Pursuing a strategy for digital financial transformation thus requires concentration on the following four main aspects namely: -

- Technology
- Data
- Process and
- Organisational Re-Alignment and Change

In the following paragraphs, each of these four main aspects is discussed briefly³.

Technology is the one component that drives the digital financial transformation – be it Internet of Things (IOT) or Artificial Intelligence (AI). While these are fast becoming accessible and easier to use, the crucial part of the transformation is the ability of entities to adapt the technology and integrate the same with the existing systems. It is also possible that some of the technologies in use may be legacy technologies that are difficult to change and may have to be discarded with minimum disruption. This requires appropriate technical skills and the ability and experience to understand business complexities.

Data is a very important component in the transformation. Here it is important to understand that the reference to “Quality Data” is in view of the fact that the data should be such that it is capable of being processed into information, so as to be eligible to undergo transformation.

Process is another important component, in the sense that there is a need to have in place an end-to-end mindset with a customer-centric focus which is often difficult to reconcile with typical hierarchical set-up of most entities. When this problem is faced in the transformation process, it points to the need for Business Process Re-Engineering with a clear focus not only at the top management level, but covering the operating levels as well.

Organisational Re-Alignment and Change, though listed at the end is the defining aspect of a successful transformation exercise. The human side to the transformation process requires different skill sets to be understood. Entities undergoing transformation require leaders having extraordinary people skills who will be able to carry the entire team together.

TRENDS IN DIGITAL TRANSFORMATION

a) Internet of Things (IOT)

The relevance of Internet of Things (IOT) has increased in the wake of the COVID-19 pandemic. Basically, IOT refers to the rapidly growing network of connected objects or devices that are able to collect and exchange data using embedded sensors, software and other technologies over the internet. The connected objects or devices range from regular household objects to sophisticated industrial tools. With more than 7 billion connected IoT devices today, experts are expecting this number to grow to 22 billion by 2025⁴. Considering the explosion of IOT, emphasis of product design, development and

³<https://hbr.org/2020/05/digital-transformation-comes-down-to-talent-in-4-key-areas>

⁴<https://www.oracle.com/in/internet-of-things/what-is-iot/>

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manufacturing are increasingly focussing on coming out with things and / or devices, which are amenable to IOT.

b) Customer Data Platforms (CDP)

Customer Data Platforms (CDP) refer to a software that seeks to create a unified customer data base by aggregating and organising customer data across a variety of touchpoints.⁵ The availability of customer data from all sources coupled with integration to these sources along with activation of access to this data with due safeguards is core to the utility of the CDP which seeks to provide a single view of the customer. With the advent of CDP, Customer Relationship Management (CRM) and Digital Experience Platform (DXP) seem to be losing out to CDP which is an integrated customer data base. In various M&A deals the valuations is arrived on the basis of aggregated customers based on a single view, hence the importance of CDP.

c) Cloud Network

Cloud Network or Connected Cloud, which is among the latest trends, is a data platform that seeks to closely integrate multiple cloud services and systems, with a view to achieve synergy. The core value proposition of a connected cloud is the ability to pull any workload from any of these integrated major clouds and then transform it into actionable analytics⁶. Cloud computing with Connected Cloud has a great potential to meet the emerging requirements of entities for cloud-sourced storage, networking or digital security.

d) Contactless Solutions and Digital Payments

In the wake of the pandemic, there has been a growth in contactless solutions for digital payments. It is expected that even post pandemic this trend is going to flourish given the ease, convenience and comfort. The technology behind contactless payments is E-wallets, electronic wallets, or mobile wallet solutions that enable users to

⁵<https://blog.hubspot.com/service/customer-data-platform-guide>

⁶<https://www.teradata.com/Trends/Cloud/Rise-of-the-Connected-Cloud#:~:text=A%20connected%20cloud%20is%20a,cost%20effective%20and%20synergistic%20whole.>

make payments quickly, safely, and conveniently. Several mobile wallets are available in the market, such as Google Pay, Apple Pay, Venmo, Mastercard, BHIM and Masterpass⁷.

e) **Blockchain**

Simply said, Blockchain can be defined as a decentralised and distributed ledger that records the transactions with respect to a digital asset. Once a transaction is recorded in the decentralised ledger, it is unalterable. A very simple analogy to explain Blockchain is the “Google Doc”, which is shared with a group of people instead of copying or distributing, while the changes are being recorded in real time as well as in transparent manner. In Blockchain the integrity of the document is preserved which is crucial for creating trust in the digital asset. Blockchain is an especially promising and revolutionary technology because it helps reduce risk, stamps out fraud and brings transparency in a scalable way for myriad uses⁸.

f) **Data Science, Big Data, Data Analytics and Artificial Intelligence (AI)**

Data science is a broad field of study pertaining to data systems and processes, aimed at maintaining data sets and deriving meaning out of them. It incorporates techniques of statistics and mathematics, such as data mining, multivariate data analysis and visualization⁹ and finds its application in improving production processes, product design, innovation in service offerings, strategic planning etc. Basically, Data Science produces insights.

*Big Data*¹⁰ is a collection of data that is huge in volume and growing at an exponential pace. Such data is huge and large in terms of volume, size and other complexities, to the extent that the conventional data management tools can neither store them nor can they process it efficiently and effectively on the basis of their capacities and capabilities. Examples of Big Data are Stock Exchange Data, Social Media data, Jet Engine Data. Big Data are characterised by 4 V's namely Volume, Variety, Velocity and Variability.

*Data Analytics*¹¹ is the discipline of analysing raw data in order to make conclusions about that information. Data analytics is a broad term that encompasses a number of diverse techniques to get insights that can be used to optimize processes or to increase the overall efficiency of a business or system. Data Scientists use Data Analytics to generate reports with the help of which inferences can be drawn.

Artificial Intelligence (AI) is a term used in the Information Technology (IT) parlance and nowadays increasingly in the digital world referring to that branch of computer science, which is concerned with building smart machines capable of performing tasks that typically require human intelligence¹². In the words of Dr. Andrew Ng, Founder and CEO of Landing AI, a British born American computer

scientist and technology entrepreneur “*AI is the ‘new electricity’ ... just as electricity transformed many industries roughly one hundred years ago; AI will also now change every major industry.*” AI is an all-pervasive disruptive technology and world over the financial services industry, which is on the path of exponential growth is spending tonnes of money on AI. Some of the examples of AI are self-driving / parking vehicles; Digital Assistants like Siri, Google; Robots; Chatbots.

Two sub-sets or branches of AI are Machine Learning (ML) and Deep Learning (DL).

- *Machine Learning (ML)* refers to the techniques that are used to implement AI. Basically, ML is an application of AI which seeks to ensure that the computer systems or machines develop the ability to learn and improve without being programmed through explicitly created algorithms. In the words of Fran Fernandez, head of product at Espresso, “Machine learning is a type of artificial intelligence that enables self-learning from data and then applies that learning without the need for human intervention. Actually, there are many different types of machine learning, as well as many strategies of how to best employ them.” Examples of Machine learning applications are Image Recognition, Speech Recognition, Medical Diagnosis, Statistical Arbitrage and Regression Analysis
- *Deep Learning (DL)* is a further advancement of ML in the sense that it is used for automating predictive analysis. In DL, the analogy of network of neurons that make up a human brain is extended for programming computer systems to function as if they are interconnected brain cells. DL is characterised by a multi-layered approach that is described through representation learning and abstraction. DL is ideally useful when the training datasets are very large, and the relationships to learn are very complex, such as in medical science or with self-driving cars¹³.

IMPACT OF DIGITAL FINANCIAL TRANSFORMATION

- i. *Digital Supply Chain Management:* Lean, efficient and effective supply chains contribute in a great way to profitability of an entity. Entities dependent upon Supply Chain system as an integral part of their operations therefore accord a high priority to Supply Chain Management. Digital Supply Chain Management system takes such entities to the next level backed up as they are with advanced analytics for supplier risk assessments.
- ii. *Greater investments in Cloud computing:* Though cloud computing was popular even before the arrival of the COVID-19 pandemic, it has been noticed that in the wake of the pandemic, investments in cloud computing started showing an increasing trend and a necessity. Having seen and being used to some of the automatic processing and its merits, more and more entities are taking to cloud computing and related software.

⁷ <https://www.netsolutions.com/insights/digital-transformation-trends/>

⁸ <https://builtin.com/blockchain>

⁹ <https://www.sartorius.com/en/knowledge/science-snippets/data-science-vs-artificial-intelligence-vs-machine-learning-602514>

¹⁰ <https://www.guru99.com/what-is-big-data.html#3>

¹¹ *Ibid.*, 9

¹² <https://builtin.com/artificial-intelligence>

¹³ *Ibid.*, 9



- iii. *Remote working and Work from Home (WFH)*: Remote working and WFH as trends were a direct impact of COVID-19. According to a June 2020 PwC survey, “54% of CFOs plan to make remote work a permanent option.”¹⁴ Implementing remote working / WFH requires facilitation and commitment on the part of top management, team work and collaboration to succeed as a working arrangement. Here the HR and the IT departments have a great role to play.
- iv. *Preparing for the Road or preparing the road*: - The role of digital tools is to help strategic managers to prepare for the road ahead rather than preparing the road itself. It is the function of the strategic financial managers to lay out the road map using the digital tools which help in envisioning the preparation of the road map.
- v. *ESG Reporting*: An already-accelerating trend pre COVID-19, Environment Social Governance (ESG) will gain new focus, fulfilling not only consumer mandates for more corporate responsibility, but also serving as an important organizational risk mitigation tool¹⁵. There is scope for entities to achieve cost reduction through reduced physical office footprints and this in turn leads to lessening environment impact, which depending upon impact achieved can form part of ESG reporting.
- vi. *Enterprise Risk Management (ERM)*: One of the lessons of the pandemic is that all plans can quickly be overtaken by unforeseen crisis and one of the effective ways in which entities can address such crisis or disasters is through Enterprise Risk Management (ERM). One of the best-known frameworks is the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) Enterprise Risk Management Framework which comes in handy, as mitigation of all types of risk is going to be the focus of Digital Financial Transformation as well and using the framework, Management Accountants and other professionals can better anticipate and prepare for disruptions and natural disasters with plans and procedures in place for business continuity and remote work¹⁶.
- vii. *Cyber Security*: While digital financial transformation continues at a rapid pace, even as most entities have better internal security practices, data protection and alert systems than in the past, new vulnerabilities arise in the security systems arising out of this rapid pace of digital transformation, which needs to be addressed by upgradation of the Cyber Security systems. The need for this has been better understood in the wake of the pandemic, as there has been increasing resort to WFH, Remote Working and cloud computing.
- viii. *Upskilling*: One of the questions raised with reference to post COVID-19 scenario has been about the relevance of the current skillsets of the finance professionals and what upgradation is required for them. As per a survey conducted by Institute of Management Accountants (IMA)¹⁷, 12% of survey respondents believe their skills won’t be relevant, and another 10% are unsure and with respect to India, they were the least confident, with only 69% believing their skills would be relevant, 15% believing they would not be, and 16% unsure. The survey underscores the need for the corporate professionals to upskill in areas such as Data Analytics, Blockchain and Robotic Process Automation (RPA), which in turn will help the entities for role changing and improving work flow.

PARADIGM SHIFT IN FINANCIAL MANAGEMENT

With respect to Digital Financial Transformation in any entity irrespective of its complexities, the role and potential of Finance and Accounting function is enormous. Entities that do not recognise the pivotal role of financial, cost and management accounting functions as well as those that fail to fill in the gap by going for the appropriate talent are more likely to turn around sub-optimal performance.

The core team consisting of Finance, Compliance and Technical Professionals would be the right persons when it comes to not only reporting the numbers but also offer new insights using the digital tools of analytics and visualisation which could be dealing with any aspect or function of the

¹⁴ <https://www.forbes.com/sites/jeffthomson/2020/12/18/speeding-towards-transformation-2021-trends-in-finance-and-accounting/?sh=43ed318934ab>

¹⁵ Ibid., 14

¹⁶ Ibid., 14

¹⁷ https://sfgmagazine.com/post-entry/november-2020-the-impact-of-covid-19-on-the-finance-function/?_ga=2.90368794.1009445477.1607951630-1306149347.1596115068

entity. The Management Accountant positioned at the vertex or intersection of various functions of an entity such as Finance, Technology, Strategy, Analysis and Leadership is in a position to help the strategic managers to determine what drives or leads to profits (or losses) rather than merely reporting on the actual or projected numbers on the basis of compilation.¹⁸

Some of the trends and impacts of Digital Transformation relevant for the purpose of paradigm shift are: -

- **Streamlining Budgetary Process & Rolling Forecasts**

With availability of relevant data and information, the entity would be in a position to streamline its Budgetary Process and set more realistic budgets. It would also be possible to improve the quality of the rolling forecasts as part of the Budgetary Control System, which will strengthen the Operations Management.

- **Emphasis on Predictive Analysis**

With Digital Financial Transformation, the professionals would be better equipped to use data mining and other relevant statistics which will be helpful in analysing historical data sets in conjunction with current trends, all of which would help the finance and compliance professionals to place emphasis on Predictive Analysis in such a manner that it is possible to strengthen the Strategic Management function as well as comply with governance norms.

- **Focus shifts from data processing to reporting towards strategic business support**

Typically, the conventional Management Accounting function has been known to spend more time in processing of data to obtain and update information for managerial decision making. With Digital Financial Transformation, it will not be necessary to spend the same amount of time for extracting information. Instead it would be possible for the Management Accounting function to consider the relevant data for strategic business support in a much more effective and efficient manner.

- **Overcoming dangers of “Data Rich Information Poor” (DRIP) syndrome**

The term “DRIP” is self-explanatory. Such a situation is known to exist in quite a few entities (large as well as medium sized) which have implemented ERP system expecting that they would naturally give the entity all the data. However, what is not realised is that merely having data does not lead to information, which can be only be obtained by processing the data and then providing the relevant information. A strong Management Accounting function is a pre-requisite to overcome the DRIP syndrome which might affect a large entity with a weak or no management accounting focus. Reaping the benefits of Digital Financial Transformation, the focus of management accounting function will shift to information analysis and thus address the DRIP syndrome.

CHALLENGES OF DIGITAL TRANSFORMATION

Digital Transformation, whether in Finance or other fields has its own challenges from a regulatory perspective. In the wake of fast-paced Digital Transformation, the regulatory framework has to catch up fast to address the gaps in governance and compliance. While many of the potential risks associated with AI in finance are not unique to AI, the use of AI could amplify such vulnerabilities given the extent of complexity of the techniques employed, the dynamic adaptability of AI-based models and their level of autonomy for the most advanced AI applications¹⁹.

In the following paragraphs some of the challenges posed arising out of Digital Transformation are discussed briefly: -

1. Data Concentration and Competition

Unless Digital Transformation is inclusive in nature, it is quite likely that large tech entities would enjoy a clear competitive advantage over medium or small sized entities. The large tech entities would be in a position to adopt more robust AI tools which lead to Data Concentration consequent to which they acquire a dominant or monopolistic position in the relevant market thereby distorting competition in the relevant market in the form of stiff entry barriers for smaller players. The Competition Commission of India imposed penalty on Jet Airways, Spice Jet and Indigo after an investigation revealed that the airlines were involved in cartelization in fixing fuel surcharges for transport cargo by using algorithms that allowed them to fix fuel surcharges at a uniform rate, which act was found to be anti-competitive since it indirectly allowed the airlines to determine the air cargo transport rates thereby contravening Section 3 of the Competition Act which deals with abuse of dominant position²⁰.

2. Digital Assets

For an asset to be classified as a Digital Asset, the asset has to be in a digitised format and it should have use value as well as the right to use. As regards data, these are digital assets only if there is a right to use the data. In the case of an entity, digital assets are structured, organised and maintained and carries with it access rights available to those connected with it and as permitted by the entity’s management. Examples of Digital assets are PDFs, presentations, spreadsheets audio, video, images, graphics and design files. Three principal factors which define a digital asset is that

- ♦ it carries values,
- ♦ it must be in the form of digital files and
- ♦ it should be easily distributable and accessible.

On this basis, cryptocurrency is a digital asset and is now subject matter before the regulatory authorities in India. It is worth mentioning here that the Union Budget 2022 seeks to tax transactions in the virtual digital assets.

¹⁹OECD (2021), *Artificial Intelligence, Machine Learning and Big Data in Finance: Opportunities, Challenges, and Implications for Policy Makers*

²⁰<https://blog.ipleaders.in/association-big-data-competition-law-analysis-respect-india-europe-telecommunication-sector/>

¹⁸<https://www.cfo.com/accounting-2/2020/01/the-management-accountant-a-top-digital-transformation-pro/>

Digital Transformation, whether in Finance or other fields has its own challenges from a regulatory perspective. In the wake of fast-paced Digital Transformation, the regulatory framework has to catch up fast to address the gaps in governance and compliance. While many of the potential risks associated with AI in finance are not unique to AI, the use of AI could amplify such vulnerabilities given the extent of complexity of the techniques employed, the dynamic adaptability of AI-based models and their level of autonomy for the most advanced AI applications.

3. Data Privacy

Data protection and Data privacy are perhaps some of the most significant concerns arising out of Digital Transformation, because the potential for misuse or mishandling of Personally Identifiable Information (PII) and Intellectual Property (IP) is very high. Towards this end, the EU's General Data Protection Regulation 2016 (GDPR) is a significant step. Following suit, India has proposed the Data Protection Bill, 2019, which is likely to be placed in February 2022 before the Parliament.

4. Explainability

In simple terms, Explainability in the AI parlance refers to the capability to explain what happens in the AI model when it is tracked from the input stage to the output stage meaning what is envisaged is a White Box approach as opposed to a Black Box approach. Explainability implies that there is transparency through understanding the algorithmic decision-making process used by the AI model in simple terms. Entities should be made responsible for providing consumers and business users with an adequate level of transparency and explainability to ensure trust in AI models²¹.

5. Bridging the trust gap through regulatory framework

There are two competing narratives in the media — one being that AI will radically and positively change the world, while the other paints a disturbing picture of the damage AI could bring²². It is not that no regulatory attempt has been made, but whatever has been made are nothing but small pockets of regulation, which are woefully inadequate to deal with the challenges posed in terms of the need to bridge the trust gap. Only some countries have developed a prescriptive set of guidelines or legislated specific AI governance laws for business and society. India's Ministry of Corporate Affairs (MCA) recently launched a

new version of its portal, version 3.0, MCA 21, which it is said will leverage data analytics, AI, and ML, to simplify regulatory filings for companies²³.


6. Analysis Paralysis

Analysis Paralysis is a description of a process of over-analysis or overthinking a situation which can cause delays in decision making arising out of having too much data²⁴. Conversely Analysis Paralysis can also occur because of under-analysis (inadequate analysis) or under-thinking. Analysis Paralysis results with exceedingly long phases of project planning, requirements gathering, programme design, and data modelling, which can create little or no extra value by those steps and risk many revisions. Apart from delayed decisions, extended use of complex data analysis has the potential to lead the management to become too much dependent upon data analysis to the extent that they disregard common sense principles. When the common-sense principles go for a toss, even if the right data is used, it is possible that the data analysis is structured in a defective manner and this coupled with meaningless correlations may lead to certain incorrect decisions having negative consequences. Typically, this is not a software anti-pattern, rather, it is a human anti-pattern, the dangers of which have to be clearly comprehended and guarded against in the wake of availability of more than required data and exponential growth in data processing capacities.

CONCLUSION

It should always be remembered that Data analysis is not a substitute for application of managerial mind in making Strategic Management decisions. Digital Financial Transformation is not to be perceived as an end in itself, but the means to an end. The purpose of Digital Financial Transformation is to help individuals, entities and all connected persons by reducing complexities in their day-to-day functioning and facilitate timely and effective decision-making. As stated in OECD (2021), *Artificial Intelligence, Machine Learning and Big Data in Finance: Opportunities, Challenges, and Implications for Policy Makers* "AI in finance should be seen as a technology that augments human capabilities instead of replacing them. It could be argued that a combination of 'man and machine', where AI informs human judgment rather than replaces it (decision *aid* instead of decision *maker*), could allow for the benefits of the technology to realise, while maintaining safeguards of accountability and control as to the ultimate decision-making. At the current stage of maturity of AI solutions, and in order to ensure that vulnerabilities and risks arising from the use of AI-driven techniques are minimised, some level of human supervision of AI-techniques is still necessary. The identification of converging points, where human and AI are integrated, will be critical for the practical implementation of such a combined 'man and machine' approach"

Under these circumstances, while there is no doubt about the usefulness and utility of the digital tools as well as the exciting new possibilities that it brings in terms of financial transformation, finding ways to stay connected with a human centric approach cannot be lost sight of.

Viewed from the perspective of corporate professionals and the Company Secretary, technological advancements are going to be the order of the day and will continue to engage the attention of strategic financial managers along with the core operations team as they are required to re-envision their strategic approach as well as the governance professionals who are required to respond proactively and resolve regulatory challenges as they arise. 

²¹. <https://home.kpmg/xx/en/home/insights/2020/12/the-shape-of-ai-governance-to-come.html>

²² *Ibid.*, 19

²³. <https://analyticsindiamag.com/what-are-the-key-ai-initiatives-of-indian-government/>

²⁴. https://en.wikipedia.org/wiki/Analysis_paralysis

Digital Transformation in Finance

No one is aware or know for certain as to what the future will hold in the light of digital transformation which is taking place in finance. However, we all have a responsibility to be thinking about what's likely to happen in the future and we need to be prepare for the same. In the finance function, this means working now to get the right people and technology in place to take advantage of the inevitable disruption ahead which cannot happen unless one has a clear vision and strategy for finance in a digital world. In the light of the above background, we shall examine few key points in this article titled "digital transformation in finance".



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INTRODUCTION

Digitalization is accelerating day by day and added to this is, is the pandemic Covid -19 situation which brought the culture of work from home and as on date almost all the functions/services are being performed from home by many. Driven by the accelerating digitalization, the finance function faces the risk of being reduced to an efficiency-first support role and it has become necessary for redefining the finance function value contribution and self-perception, Finance can seize the opportunities that digitalization offers to develop into a digital driver that shapes the digital landscape of the entire organization across the world.

This point of view is aimed at finance professionals, wishing to pursue the second avenue. This article is an attempt from the practical insights and actionable steps on how finance can become the digital driver of an organization and continue to add value addition to the organization. Digitalization provides wide opportunities of using the big data, artificial intelligence, and start small and grow fast.

PROFESSIONAL V/S DIGITAL TRANSFORMATION

Historically, we have been witnessing the saying "time is money" and this is well suited for the people who are rendering professional services such as lawyers, chartered accountants, cost accountants, company secretaries, advocates, and other professional services firms. Most of the service professionals have been billing their services based on the time spent and time plays a material element of importance in terms of price negotiation. Further, the professional services sector is very highly segmented one with unique challenges and the services could be in the field

of legal and secretarial / certification / due diligence, business consulting services, management services, human related services including recruitment, technology and everything else in between.

In the past two years or so, the global pandemic had created new obstacles for many of the professionals and as well professional services firm and we could list the following three major overarching trends amongst others which has been greatly affecting the professionals across the world.

1	Speed of business	The entire business world has been witnessing the increasing speed of business
2	Digital delivery	The digital delivery of services are in forefront on an ongoing basis
3	Business model	There is a shift in the business which is to an outcome based business model
	Working method of the outcome based business model	It may be noted that (i) An outcome-based business model works differently to the traditional rate-based business model. (ii) Rather than being based on the time it takes to achieve a certain outcome, it is based on the outcome itself, and the effort it takes to reach it.
	Risk-sharing of this business model	In the outcome based business mode, the risk is shared between the service vendor who provides the services and the customer who receives the services

FACTORS DRIVING THE CHANGES TOWARDS DIGITALIZATION

As discussed in the earlier para, the three main trends of accelerating speed of business, outcome based business model and digital services delivery are being driven by a number of factors about which we shall have a look as below:-

(a)	Customer demands	The recent trend with the customer demands are seen with much higher expectations which have been putting pressure on professionals and professional firms to be faster and more agile.
(b)	Lower barrier to entry enabled digitalization	It is witnessed that a prime environment for new entrants who like to venture into professional services, there is lower barriers which enable easy entry by digitalization and new entrants offering services that can perform more efficiently, digitally, virtually and which can be automated at a significantly a lower cost.
(c)	Emerging technology	The emerging technology is very much helping professional the professional service firms to improve their <ul style="list-style-type: none"> • employee experiences, • transform their business processes, and • change their service delivery methods. <p>Added to the above, the following trends are also contributing in favour of new entrants;</p> <ul style="list-style-type: none"> • Virtual work and digital delivery methods have become the norm of today's business, • Artificial intelligence (AI), machine learning (ML), and robotic process automation are driving productivity to the higher level and • These results into lower cost of delivery to meet the customer demands.
(d)	Cloud based technology	In today's digital world:- <ul style="list-style-type: none"> (a) The "cloud-based technology" is making advanced solutions more accessible to companies of all sizes. (b) Cloud technology also gives professions and professional firms the ability and the agility to scale up or down depending on their workloads based on the customer's demands.
(c)	Workforce management	As we have been witnessing that the workforce management is becoming more digitalized, providing increased transparency, more accurate proposals, faster estimates, more exact billing, and better cost-efficiency. <p>Added to the above is that of having a flexible network of internal and external global talent which provide the right resources for diverse projects at the right time and the right price.</p>

IMPACT ON THE ECONOMICS DUE TO DIGITALIZATION

With the ongoing and continuous digital innovation, the technology is contributing to a fundamental shift in the way of doing business i.e., the supply and demand dynamics. The development of digital platforms offers a convenient alternative to the traditional physical market place for services, as clients and customers can now seek professional help online.

On the demand side, ubiquitous data and pervasive technology are making professions into (a) more transparent, (b) giving clients a greater understanding of the sector, (c) arising their expectations of receiving high-quality professional expertise and (d) at an affordable price point.

On the supply side, it would be (a) crowdsourcing, (b) rapid advances in machine learning, (c) robotic process automation (RPA), and (d) the modularization of work – these are helping create a new source of supply in professional services offered by all kinds of professionals such as chartered accountant, cost accountant, company secretary, lawyers etc.

DEVELOPMENTS ON DIGITALIZATION

Digitalization moving with much advanced technologies, totally changing the way of doing business. Innovative technologies like (a) artificial intelligence (AI), (b) data

analytics and (c) machine learning platforms are the few most important technologies which is causing changes in the business environment. Let us have a look at the following:-

a	Artificial intelligence	Artificial intelligence supports professionals to learn, think and perform better.
b	Data analytics	Analytics and machine learning are revolutionizing insight generation and platforms are bringing a total change of traditional business models by bringing buyers and suppliers together.
c	Machine learning and platforms	Machine learning platforms automate data workflows, accelerate data processing, and optimize related functionality and also it provide to the users with the tools necessary to develop, deploy, and improve machine learning – specifically, machine learning algorithms.

DIGITIZATION WITH PARTICULAR REFERENCE TO THE FINANCE

Digital developments across the world have heavily impacted one's lifestyle habits and behaviors not only with the common person but also in the professional world. Technology combined with smartphones / mobile devices and the internet provides numerous benefits to the customers as well as to financial establishments. With more and tighter regulations and changing working environment, every day, customer demands, the financial applications and systems have become nimbler and progressive on a continuous basis.

The following are the key components, we could cite on digital transformation of finance.

(i)	Finance functions integrated with technology systems with highly standardized processes and data lead to a high standardization.
(ii)	The entire function in the digital era is insight-driven functions.
(iii)	The entire digital systems are highly done by way of automated functions.
(iv)	Digitalization has modified financial models in such a way that the resources concentrate more on deriving insights rather than focusing only on transactions.
(v)	Availability of data on any field, strong analytics and light weight payment interfaces improve customer experience.
(v)	Adoption of new technology tools lead to higher process automation for services such as money remittance, know your customer / clients (KYC) verification, etc.
(vii)	Finally all function are highly standardized.
(viii)	At the end, we can witness with better service delivery resulting into much improved customer experience.

THE FUTURE OF FINANCE FUNCTION AND THE IMPACT ON FINANCE PROFESSIONALS

Finance function: Very important question would arise in one's mind as to whether the finance professionals i.e. the accountants would be affected due to digitalization and if so

1	Enterprise Resource Planning (ERP) v/s digitalization	Recent survey conducted by Harvard Business Review (HBR survey) by taking polls from 2216 employees where some of the companies invested in digital transformation. As per this survey, the companies which invested in digital transformation showed that strategic planning on transforming their business digitally resulted in increased revenue and reduced costs. Currently the organization who are using enterprise resource planning (ERP) would be moving toward digitalization since implementing ERP would deliver a good return on income (ROI) within a few years with all business processes going very well and on the other hand digital transformation would lead towards exponential growth in revenue and also considerable cost reduction. The above would definitely result in enhancing the business together with significant return on income and added to this would be increased and improved efficiency ultimately resulting into customer satisfaction/delight and loyalty. (source: Fingent – ERP vs. Digitalization – the best technology solution – reference no 3 provided at the bottom of this article)
2	Big Data	The businesses who are ready to leverage the potential of digital tools could use Big Data which has become a very rich resource which could be tapped to complete effectively. The shifting to Big Data would provide a great opportunity for the businesses.
3	Cloud	By the usage of cloud technology, the data of an organization could be centralized and data management could be done in a much effective way. The cloud technology would result into much reduced waste and drastically lowering the costs and also provide effectively improving the communication / collaboration. Many things could be standardized and the data sphere would make it easy to access the data, share the data and as well analyse the data at a reduced cost and also bring greater transparency since data silos are dismantled and the quality of data rises.

then, what would be the impact on accountants on account of digitalization. As we all know, changes are permanent and changes would be happening every now and then depending upon the developments that take place in any field. It is also true that changes are happening in all the fields in all industries and professionals are expected to get themselves equipped with dealing with the changes and the changes are most happening due to upcoming emerging technologies in the recent past and continue to be so. Having said this, the finance function is no exception to this and in today's finance professionals have moved far beyond the tradition maintenance of bookkeeping and payroll accounting, etc.

Finance professionals: Moreover, the Companies Act 2013 has given recognition to finance professionals the position of key managerial person (designated as chief financial officer of the company) as per sub-section 51 of section 2 of the Companies Act 2013 in par with chief executive officer/managing director. The finance professionals in many organization are seen playing strategic role towards forward thinking businesses and occupying positions in the management hierarchy in decision making management team. To the best understanding of the author of this article, the technology would keep elevating the position of finance professionals in new and more empowering ways of doing their functions and add value to the business. In short, the digitalization with an opt technology suiting the organization would support the finance professionals in a greater way and in no way it can replace the finance professionals.

VARIOUS OPTIONS AVAILABLE FOR FINANCE PROFESSIONAL IN THE DIGITAL PLATFORM

The following are some of the transformations/changes, the finance professionals may have to evaluate and adopt the opt technology for the organizations they are serving and make best use of the same in maintaining the financial records. Many of the newer technologies are automated process. Needless to mention that the whole world across is undergoing the Covid-19 pandemic and most of the organizations are performing their function from "work from home" culture which is going to be the future of the day. In the light of this, the financial professionals need to be concerned much more than any other professionals about adaptation of the digitalization technology than replacement.

4	Automation	The automation process also reduces the cost considerably and brings improved efficiency by following the process of eliminating and also much time consuming manual labour process which are involved such as data entry, three way matching etc. and ultimately it eliminates all human errors. It may be noted that the automation process does not replace the human finance professionals but it drives straight-through processing so that the professional could get more time to spent on strategic tasks which calls for more creativity / collaborative.
5	Artificial intelligence (AI)	Artificial intelligence could enter a kind of symbiosis with humans and play a very supportive role by providing services like “what: humans can further redefine into “how’s” and “whys”. In short the artificial intelligence is the grunt work of analysis and assists from the raw data into more manageable formats and provides a well-developed connections between the disparate data sources. The artificial intelligence would be of greater help and assistance in the more appropriate decision-making process.
6	Blockchain	Blockchain is another reputed technology since the same has earned a name for its potential in the management of supply chain optimization. Blockchain is also very powerful in records management, accounting and auditing potential and the finance professionals who understand this technology could make better use and as per the information available, this is going to be in high demand in future days to come for process development in the financial and auditing functions. (source:- Write up on Blockchain overview by IBM – reference no. 4 provided at the bottom of this article)

(reference no 2 below the article for further information on automation and artificial intelligence)

FINANCE PROFESSIONAL'S CONTRIBUTION TOWARDS GROWTH AND CONTINUITY

As said elsewhere in this article, the finance professionals could put their best skills to work in transforming the extracted high-quality data information and could make much more effective financial planning and reporting which obviously would increase the speedy, reliable, accurate information to the stakeholders of the company. In an integrated environment, the financial professionals could collaborate with other colleagues from different business units and develop better business management plans which would definitely promote growth opportunity and as well ensuring continuity.

For the information of the readers, the virtual augmented and mixed reality technologies are being used by many of the finance professionals in exploring, analyzing and share the data, optimizing the process and helping in strategic planning.

As per the survey conducted by Robert Half in United States of America, 71% of the managers are either already using some kind of virtual reality or planning to integrate it within three to five years. (source: Robert Half survey of United States of America – reference no 5 at the bottom of this article)

FUTURE OF AUDIT FUNCTION

Shareholders of the company appoints the statutory auditors and the statutory auditor is a person/firm who verify the correctness of the financial records of the company and make a report to the shareholders of the company upon examining the financial statements as to its true and fair representation of the company's affairs which are placed as per the provisions of the Companies Act 2013, in the annual general meeting of the company which in turn is approved and adopted by the shareholders.

In response to the digital transformation, the role of an audit professional is also undergoing a drastic change. Using automation for increasing volumes of data could help the audit professional to deliver high-quality audits and allows auditors to focus more on risk identification and business insights. The audit professionals of all types of audit such as statutory audit, internal audit, cost audit, secretarial audit, etc., may have to evaluate and adopt a suitable methodology for their audit since the audit function is going to be totally a paperless audit. The audit

professionals may have to move forward to the use of predictive analytics and robotic process automation in carrying out audit coupled with artificial intelligence, which could greatly reduce and result into lesser dependency of the human work, reduce in the cost and at the same time bring increased efficiency in the business operations. However, one should not forget that the effect of digitalization on the auditor's working methods are more prominent than on the tools which are used by the audit professionals. Most of the tools what we discussed have been implemented by many audit professionals already and in days to come, we could witness more flexible working methods supported by digitalization which are developing currently

In order to delivery better transparency coupled with required disclosures, the audit professional needs to have a greater connectivity so that the auditors could provide enhanced high quality report which in turn would earn a greater confidence from the shareholders of the company. Also, the company's finance team could experience an audit which is more effective and the audit committee could get benefit in identifying greater risk insights and new perspectives for which the auditors need to have much better connectivity and insight enhanced technology. At the end the stakeholders would be benefited with greater confidence in the financial reporting of the company which is being audited. (source: -Ernst & Young on their publication on how audit digitalization reflects a transformative age – reference number 6 provided under the bottom of this article)

LET US LOOK INTO TOMORROW'S FINANCE PROFESSIONALS

The job description of finance professionals of tomorrow is going to be greatly expanded with reference to the required skill set in terms of digitalization while still hewing to the core competencies of the finance profession and is of more relevant to business i.e. strategic oriented in terms of finance planning and its implementation and the finance professional are expected to be more creative than ever before to meet the challenges. The finance professionals would be supported by ongoing digital technology in collaborate setting and the finance teams would be populated with dedicated finance professionals of the field and also with subject matter experts

from other areas of business. Artificial intelligence and the use of big data would be greater assistance to the finance professions and they would not be able to replace the original ideas and creativity which are required and applied by the finance professionals who have wider experience in financial management and audit related function and are well qualified in risk management who could bring better internal checks and controls coupled with better governance practices.

Further, the role of the finance professional of tomorrow would be that of playing more advisory role to the management and welcoming business intelligence and as well as procurement of expert professionals towards working to chart a strategic sourcing plan. This would definitely make the organizations to have a speedy data and information available to them and the better decision making process having regard to long term value creation rather than return of investment alone in the larger interest of the organization and that of the stakeholders of the company.

We can foresee a future with more diverse skills and greater technical acumen as the finance professionals could bring their own expertise to teams in all other operating business units providing them critical and crucial financial intelligence, refining the budgets of the company and as well ensuring absolute compliance. The days are going to be that the organizations would be making use of strategic outsourcing to “fill the gaps” in their technical tree or secure the training and tools necessary to add capabilities to their own team.

Tomorrow’s finance professionals would be planning more creative and strategic role in their organizations with a result that the businesses would not only enjoy more efficient workflows but reap more useful insights from their finance processes and would help strengthen their own resiliency, agility and competitive footing which in turn would assist/help them grow and meet their target and goals. As said else where in this article, the process of automation and other data driven technologies are posed to free financial personnel, not constrain them but support them and as a function, the finance may become less about refining one’s skill set through certifications and more about core competencies that would be growing over time. Henceforth the focus would be on lifelong learning and skill development that are required to tackle the

The finance professionals could put their best skills to work in transforming the extracted high-quality data information and could make much more effective financial planning and reporting which obviously would increase the speedy, reliable, accurate information to the stakeholders of the company. In an integrated environment, the financial professionals could collaborate with other colleagues from different business units and develop better business management plans which would definitely promote growth opportunity and as well ensuring continuity.



complex ever-changing business environment. (source: The future of accounting –the impact of digital transformation – reference no 1 provided at the bottom of this article)

CONCLUSION

The need of the hour today is the digital transformation especially in finance since all the information are ultimately converted in terms of values and the information is disseminated to the stakeholders of the organization. The digital information is the ultimate drive that merges the information technology and the business dealings of an organization. Organizations are required to move forward towards digitalization and if not, the organization would be lagging behind and face the severe competition challenge with those organizations that are already digitally transformed. With the digitalization process, the organizations could be better privileged and have the better approaches in strategy formulation and the decision making process would be faster which is needed in today’s business world. Besides the above, the professional skill sets are very much – rather equally important to achieve success in digital transformation. It is not an easy task for preparing for a digital future of the organization which could call for skilled contribution from the professional and the organizations are required to evaluate the required skilled professionals in order to achieve the end results.

However, business organizations need to develop and expand the digital capabilities and arrange in a line a culture focusing towards the goals that already exist. Hence, every business organizations must make use of this power and capabilities to uplift new technologies that can pick up the pace with the digital journey boosting organizational culture and supply flawless customer experiences.

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Algo Trading: A Peep into the History and Future

Orders created utilizing automatic execution logic are referred to as Algo trading. Simply said, algo trading systems track stock prices in real-time and, when certain conditions are met, place an order without the need for human intervention. The broker and the exchange have no idea what transpires behind the scenes of such orders. All orders originating via API access supplied by brokers to retail investors should be classified as algo orders, which must be tagged with a unique I.D. and validated by the prescribed authorities, according to SEBI's recommended framework. In addition to this, prior to deployment or modification, all such algos, as well as alterations to them, must be approved by the stock exchange.



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INTRODUCTION

What are Algorithms?

Algorithm trading, in rudimentary words, is a digital assistive technology primarily relied on by today's capital market to automate trading without human intervention. It has shifted the trading scenario from manually submitting orders, routing, and processing trading, to applications based upon algorithms delegated with all the tasks. Algorithms are computerized instructions that basically transact according to pre-set instructions. A trading chain in the marketplace has two essential points, the market and the investor. The advantages of this technology for the market are that trading takes place at high speed and in high volumes using pre-programmed decisions. With the help of this technology, traders can quickly deploy a wide range of quantitative techniques, statistics, and financial techniques, which would not have been possible with manual capability to do such things in such a short time and high volumes as with the use of this technology. Furthermore, it enables them to navigate and investigate all the risks and rewards. Therefore, the final product of this innovation is, at the baseline, increased efficiency and a greater supply of capital to the real economy.

HISTORY OF ALGO TRADING- THE U.S. PERSPECTIVE¹

Capital markets were no exception to the increasing pervasiveness of digitization in all spheres of markets. Before the start of digitization of the financial markets, in the 1960s, if one had to buy a certain number of shares, he would have to call his broker to book his order, who would enter the order in his system. If the stocks were listed on any stock exchange, the investor would give his order to a floor broker who would meet a specialist on the floor of the exchange. The specialists would offer prices at which the floor broker would buy the stock and match the order to buy with the sale order. For example, if Mr. X wanted to buy 100 shares listed on NYSE, those 100 shares would then be matched with an order to sell 100 shares. This process was often time-consuming and hampered high-volume trading. Then came the boom of digitization, with the New York stock exchange ("NYSE") introducing Designated Order Turnaround or DOT system in 1976. This eliminated floor brokers, enabling the users of the DOT system to enter a specific order into the system which immediately reached the specialists. Though this was not genuinely electronic in nature, as it only facilitated the routing of the orders and the execution of the order still happened in real-time, it made the process relatively less extensive.

¹ Gastineau, G. L. (1991). *A Short History of Program Trading*. *Financial Analysts Journal*, 47(5), 4-7.

There was not enough liquidity with the block trade firms to provide for separate small quantities of several stocks that could not be managed as block trading, which is why the NYSE came up with the SuperDOT systems, updated version of the DOT system. The SuperDOT system enabled investors to transmit small orders to specialized posts on the NYSE floor. Thus, several specialists now managed the orders and provided capital and liquidity. However, neither the SuperDOT system nor the specialists were ready for the massive influx of the new change in the market, which is why Program trading was mainly blamed for bringing upon the 1987 stock market crash.

In the 1980s, program trading came into the picture of digital transformation. The rise of program trading can be attributed to increasing equity investors who created demands for multiple shares of different stocks. Earlier, there was no such demand for large blocks of stock; instead, investors preferred buying stocks from one entity only; therefore, the floor brokers directly contacted the specialists. However, in the late 60s, as institutional investors came, the specialists could not keep up with the demand as they did not possess enough capital or distribution capability. Therefore, they joined hands with block trading firms, which provided both to the specialists and, in turn, they would manage the trade. We can observe the changes in the market environment slowly walking towards digitization. In the 1970s, investors' mindsets began to become uncomfortable with block trading, as equity market investors came into the picture. They began using a new and systematic asset allocation strategy. Instead of investing all their money in one stock, they started to prefer investing relatively small amounts into several stocks. Hence, portfolio trading began to arise. Before, suppose an institution wanted to buy 100,00 shares of a single issue. In that case, the specialists and the associated block trading firms could come up with a price, and the block trading firm would hold onto the shares until they could be permitted to resale them to other customers. With equity investors coming in and using their asset allocation strategy, the mechanism could not function this way. There was not enough liquidity with the block trade firms to provide for separate small quantities of several stocks that could not be managed as block trading, which is why the NYSE came up with

the SuperDOT systems, updated version of the DOT system. The SuperDOT system enabled investors to transmit small orders to specialized posts on the NYSE floor. Thus, several specialists now managed the orders and provided capital and liquidity. However, neither the SuperDOT system nor the specialists were ready for the massive influx of the new change in the market, which is why Program trading was mainly blamed for bringing upon the 1987 stock market crash.

INTRODUCTION TO THE EARLIEST ALGO TRADING STRATEGIES

The 1990s were explicitly the most prominent in the digitization of capital markets by taking a considerable step towards algorithm trading. Two factors could be attributed to this step; one is the widespread development of electronic communication network, which is a digital computerized network assisting in off-the-floor trading, i.e., without having to go through the traditional method of trading through stock exchanges; second, in 2001, a new rule was introduced by the Securities and Exchange Commission (SEC) to change the minimum tick size from 0.0626 dollars to 0.01 dollars per share. These factors led to increased liquidity in the market as the institutional traders split up orders according to the algorithms to get different prices and execute the orders according to the best price. The techniques used by the algorithms were much more sophisticated than the DOT system. It used a time-weighted average price or "TWAP". TWAP, usually used by high volume traders, is an algorithmic strategy that allows price movement in the market by splitting the orders evenly into several blocks and reducing an adverse effect on the market price of a stock. Therefore, while maintaining the true market price of a stock, the traders can execute their orders evenly over a specified time. The other form of the algorithm used was volume-weighted average price or "VWAP". With this, the traders can buy or sell in particular volumes; this helps in concealing the true volume from other market participants in addition to reducing the market impact of high-volume trade. In comparison, while a TWAP would aim for 50/50 volume in a day, VWAP would buy or sell 40 per cent of stocks in the first half of the day and 60 percent of stocks in the other half of the day.

Volume weighted average price strategy remains one of the most popular ones. It calculates and predicts the volume profile with real-time volume which decides the strategy of the size and frequency of orders going out into the market. The frequency and size of orders calculated by the algorithm can be sent into the market according to a pre-selected strategy. For example, more during the day and less during the end of the day, commonly known as the volume smile strategy. The pre-selected strategy can have several variations, for example, constraining the price or the volume, but the basic formula remains the same,



$$\text{Volume weighted average price} = \frac{\text{price of each trade (P)} \times \text{Volume of each trade (V)}}{\text{Summation of all volumes}}$$

ROLE OF TRADING STRATEGIES AND THE ARCHITECTURE OF ALGO SYSTEMS

Since the early 2000s, digitization moved exponentially as many electronic markets were opening up and other algorithmic strategies were being introduced. Today some of the most famous and widely used algorithm trading strategies are mean reversion, statistical arbitrage, momentum, trend following, market making and order execution, sentiment analysis, are to name a few. The basic architecture of algorithm trading is a mix of collection of information, analyzing the data, simulating the result, and then deciding on whether to buy, sell, hold, at what quantity, and time, etc. during the first step of data collection, the trading system collects price data from multiple exchanges, news from various reliable sources. Some systems even collect data on factors like sentiments for the web. Therefore, there is a mix of analysis of all factors, financial, economic, and social. For the second step of analyzing the data, also known as the pre-trade analysis, the trading system's main objective is to find chances to meet the expectations of making profits by the trade. Then the system simulates results and tells whether to buy, sell or hold shares, what their quantity should be, and when they should be traded. This step is known as a trading signal generation. Once the signals are sent, the orders are executed immediately without any human intervention. However, post the execution, the process is not over as a post-trade analysis takes place to analyze the trading result, such as calculating the difference between buying or selling and the final execution price.

DIFFERENT KINDS OF STRATEGIES

The trading system uses several different methods of pre-analysis. one of the methods is known as the head and shoulders pattern. This technical analysis method is easily spottable through its characteristic three peaks, with the middle one being the highest out of the three. This kind of pattern is representative of a bullish to bearish trend, out of which bullish trend marks the increase of the price of a stock, i.e., a peak. After reaching its' highest price or highest peak, the prices start to drop, which is not for long as the peak is attained once again but failing to reach the same peak. This technical analysis is widely used as it is highly reliable to predict any reversal in the market trends. The opposite of this analysis method is the inverted head and shoulders pattern. Three consecutive troughs characterize it. Like the head and shoulders pattern, the centre trough goes the deepest out of all three troughs, and the other two are roughly the same. The troughs occur when the price of a stock drops, marking a bearish trend. After which, due to a bullish trend, the price of the stock increases. All the cycles of bullish to bearish are short-lived, and the price keeps falling between the upper and lower levels. An example of the head and shoulders pattern can be explained by taking a fictitious stock, XYZ. Let us say the first price of the stock is 200 rupees when the bullish trend kicks in due to some factor and the stock price rises to 220 rupees. Here, the bearish trend will further take effect to bring down the price due to say, institutional investors, and the stock price comes down to 185 rupees. Say all of a sudden, a significant investor buys several shares of the stock, leading to an increase in people buying the stock, so once again, a bullish trend appears, inflating the price to 250 rupees. This buying trend continues, and the price inflates again to 260 rupees. With this new high, the bearish trend now kicks in, and the investors frantically start selling the stocks causing the price to push down to 165 rupees. Once again, due to the bullish

trend, the stock price rises to 245, but the investors start losing interest, and the volume of trade starts to decrease; thus, so does the price go down with the bearish trend. Thus, a final price of 175 rupees is reached.

Through the above explanation it must be observed that these changes happen in a very short time; thus, the algo trading system relied on a few indicators to detect this trend within that time period. Therefore, factors such as the relative extent of rising and falling of the price and the extent of rising and falling of trading volume, oscillation indicators such as relative strength index are used to find out overbought or oversold stock signals. The Relative Strength Indicator (“RSI”) is useful in algo trading to send signals of bullish or bearish trends in a market. Other technical analysis tools that an algo trading system can deploy are advance-decline lines and ratios, stochastic oscillator, etc., the basics of technical analysis are thus, the study of only price fluctuations or movement to deduce and identify new trends and to send entry signals and exit signals, respectively.

Other methods of execution of trading are the statistical methods. As the name goes, it is quantitative in nature, focussing on price randomness. One of these methods is statistical arbitrage. This type of method involves the comparison of two or more assets or two or more markets. Generally, the algorithm trading system gives out a signal for trading when there is a difference between the current price of an asset and the fair value of the asset. The main aim to achieve from this kind of method is to profit from the pricing inefficiency. One popular method under statistical arbitrage is pair trading. The price movements of two stocks that are preferably historically highly correlated and are in the same business, are compared. How pair trading works is when there is a mean reversion in the share prices or any market microstructural anomaly, causing a deviation in the usual price relationship of the two or more stocks, the algo trading system signals us to buy the stock of the underperforming stock and simultaneously sell the stocks of the outperforming one. The basic assumption is that the market prices are bound to go back or revert to their historical trend because of the mean reversion strategy. In other words, the deviant prices will finally converge to a long-term average, benefiting the trader. But the catch is that the deviant prices coming back to their historical values and converging once again one day is only an assumption and may not happen all the time. The algo trading systems are cleverly designed to maximize the efficiency of this assumption by building the system around a model that is based on historical data mining and analysis.

One more type of pre-trade analysis method is the genetic programming method to find out decision-making rules that divide days into two categories namely

- in the market /earning the market rate of return and
- out of the market/ earning the risk-free rate of return.

² Arora, G., & Sherry, A. M (2018). *Evolution Of Algo Trading and Its Future in India*.

³ Upstox. (2016, December 13). *What is algorithm trading?*

<https://help.upstox.com/support/solutions/articles/249870-what-is-algorithmic-trading->

⁴ Raghu, K(2021). “The evolution of algorithmic trading in India”.

This type of algorithm consists of many genetic structures, each of which represents a particular trading rule. These trading rules devised by the algo system are generated using a simple function of past pricing data, numerical and logical constraints, etc. These functions are made complex by adding more functions over them. However, the root of each genetic structure remains a simple Boolean function to ensure a well-defined strategy guided by a few fundamental principles that give out the rules. The set of rules given by the algorithm help in figuring out the predictability of future returns on a particular stock using only price data. For example, If the algorithm reveals a complicated set of rules, that means it is a result of discovered hidden structures of past prices. If the rules are relatively simpler, it means that the price data does not play an essential role in determining future returns.

ALGO TRADING IN INDIA

HISTORY

Algo trading before 2008 was unbeknownst to India until 3rd April 2008 when the Securities and Exchange Board of India (“SEBI”) issued a circular approving Direct market access (“DMA”). The DMA facility allows trading to happen through a computer-to-computer link (“CTCL”), provided only to registered members, who further provide direct trading terminals to institutional investors only via various connectivity modes. A member would first have to get registered with any stock exchange by submitting documents as per the circular, and only after getting approval from the stock exchange, the member can provide direct market access to clients or investors by directly using the member’s CTCL software and route their orders through it. Though this was a massive step towards digitizing trade in India, this facility was barred for access by retail investors. By 2009 as SEBI opened up DMA platform for Foreign Institutional investors, world-renowned brokerage firms like Goldman Sachs, Morgan Stanley, JP Morgan, and many more capitalized on this new development in India and started test runs to sync their trading software to the National stock exchange (“NSE”) and Bombay stock exchange (“BSE”).² The first-ever strategy used in the Indian capital market was Volume Weighted Average Price, then other equity derivatives and currency derivatives segments also picked up in the market. Now, the most used strategy by one-third of all online traders is high-frequency trading.³

THE GREY AREA OF ALGO TRADING BY RETAIL INVESTORS

Due to this change, the stock market started booming with the percentage turnover from algo trading steadily increasing in 2011 on BSE’s equities segment.⁴ This evolution saw the rise of co-location service, enabling the members to place their servers inside the premises of the exchange in return for a fee and tick-by-tick information. This was under SEBI’s watchful regulation since 2012 when a circular was issued laying down a framework of fair practices. It must be observed that SEBI had never given out any regulation, back in 2008 and even now, for retail investors or brokers participating in algorithm trading. Therefore, since these topics fell into an

SEBI recently issued a consultation paper laying down a framework on all possible grey areas. The reason for doing so was to circumvent the increasing automation of algorithm trading and the several risks like market manipulation, retail investors losing money if the algorithm fails as also possibility of brokers duping investors on the false promise of high returns. The paper's contents contain basic provisions that very clearly put the stock exchanges in a position of regulating retail investing via broker channels.

unregulated grey area, soon algorithm trading opened up to retail investors. Even though NSE and BSE could only allow members and launch such algorithms that had been approved by going through a rigorous process, the retail investors could still use algo trading as brokers like Kite and Upstox's Developer API or application programming interface provided an opportunity to them to come up with their own algorithms. Through the advent of API, retail investors could either generate their algorithm or hire vendors to do so for them. API enables the retail investor to use any third-party application that offers a suitable feature or can build their algorithms. Even order placing through API is a lot more straightforward as these applications connect the investor directly to a stockbroker. Therefore, the algorithm market was genuinely open to the retail investor population with no regulation whatsoever on the algorithms generated by the retail investors or fair practices of trading through API brokers.

On 9 December 2021, SEBI recently issued a consultation paper laying down a framework on all possible grey areas. The reason for doing so was to circumvent the increasing automation of algorithm trading and the several risks like market manipulation, retail investors losing money if the algorithm fails as also possibility of brokers duping investors on the false promise of high returns. The paper's contents contain basic provisions that very clearly put the stock exchanges in a position of regulating retail investing via broker channels. As per the consultation paper, the stock exchange has

1. The power to grant permission for an algorithm to a stockbroker and also to shut down any broker's terminal
2. Must have an appropriate risk control mechanism in place to address the risk posed by algo orders.

3. Will provide unique identifiers to all algo orders for audit trailing.
4. Has to also identify dysfunctional algos and shut them down
5. Must also necessarily come up with a process of due diligence to be conducted by the brokers.

By observing these rules, it is crystal clear that the whole retail investing through API's is under the control of the stock exchange. The retail investor or the broker cannot trade using algorithm which has not been approved, or make an order which is not through a broker server, or place an order without satisfying the exchange on implementation of minimum levels of risk control for price check, quantity check, order value check, etc.

Many are in the favour of the provisions put forth by SEBI, but brokers stand in strong opposition. The apprehension is that this new juncture will pose a threat to India's growth in algo trading, as it would make it difficult for brokers to provide API's if the conditions mentioned in the consultation paper are implemented. First off, the retail investors consist of the larger public who are not full-time traders and getting approvals for any algorithm will be a tedious and extremely complex process. Besides it is felt that the consultation paper does not introduce an effective change without costing a big risk to the market as also disallowing API's is not at all a solution as retail investors will just shift to third party automation apps instead of brokers. Therefore, there is a need for revision of these provisions to curb all potential related consequences as well.

CONCLUSION

With the sudden boost of reliance on computing, the digital world, and electronic communication networks, algorithm trading has become the most favourable way of trading, globally and in India. The future from this point on is only headed forward given the vast unexplored scope of developing more algo strategies, one of which is strategy to harness the big data or the huge amount of unstructured data. This unstructured data contains thousands if not millions of up-to-date articles on politics, social, international events, government policies and even investor psychology; it is the key to the next level of algorithm trading as it is estimated to account for up to 85% of the total data⁵. With respect to India, the scenario is a bit different as algorithm trading is still new and largely unregulated. As mentioned above, algorithm trading orders make up the majority so naturally they have a higher transaction velocity than non-algo trading orders, notably in the cash market. This also leads to large price margins, which has risen as a result of the rapid growth of algo trading and have sparked fears about the future of the industry related to price discovery of securities. There exists a huge chance of stock prices getting fabricated, and with the massive use of high-frequency trading, the set stage of deception is even wider. India needs regulations that constantly surveil market participants so that price discovery is not manipulated. Therefore, with the extent of exploration of new strategies invented by brokers or retail investors, if regulated properly, it can be clearly seen that India is moving towards a digitalized, transparent, and competitive capital market.

⁵ Qin, X. "Making use of the Big Data: Next Generation of Algorithm Trading". Accessed on 16 January 2022.

Emerging Financial Transformation & Today's Professionals

With the ever augmenting importance of Finance in today's competitive world, every organization is making their financial transactions digital. Digitalizing the transaction brings the entire finance world on our fingertips. With digitalization, we can access the entire business at one place. It increases the mobility of the business. Digitalization gained significance in COVID -19 pandemic. When offices were shut, it was the digital world that allowed people to operate from remote locations. Considering the need of financial transformation, we have devised the article on Emerging Financial Transformation & Today's Professionals.



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INTRODUCTION

Organizations are adopting new technologies to enhance ways of conducting business by using new machines, technology, data, Artificial Intelligence and more, these technologies are impacting all aspects of business including day to day operations, decision making and long-term development. The recent health crisis has also added urgency for adopting new technology at all levels. This will demand not only financial transformation but also old methods of doing businesses are getting replaced by new ways of doing business by introducing new technologies to make business activities easier and more effective.

1. TRENDS IN FINANCE AND ACCOUNTING

• Remote work is now the norm

One of the silver linings of COVID-19 pandemic is that it's shown just how well financial organizations can operate with remote workers by combination of emerging technologies and digital accounting, working remotely can still deliver a top-quality service for their clients even with an increasing number of accounting activities organizations growing comfortable with the idea of having their staff permanently to continue work remotely. From handling financial records to analyzing data, many aspects of accounting work can be done online and from any remote

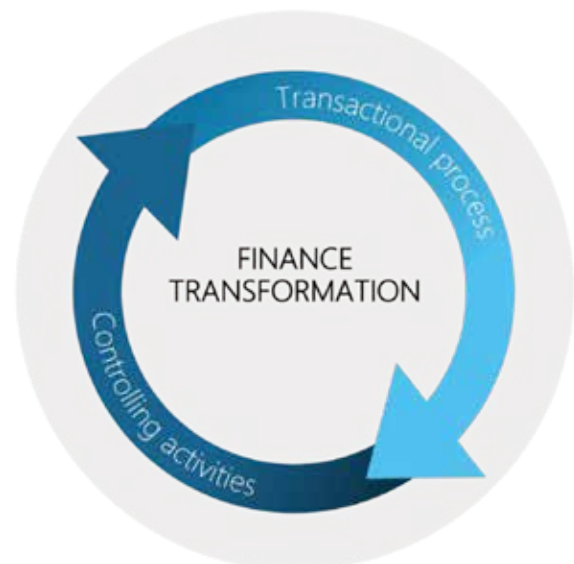
location. Whether from home or the office professionals will remain responsible for helping companies to achieve their goal.

• Rising demand for modern technology

COVID challenges has brought pressure and a need for financial organizations to accelerate digital transformation efforts like automation, machine learning, cloud computing, and predictive analytics. Companies are revising job competencies and desired skill sets looking beyond traditional accounting skills for knowledge and ability in data science, automation, cloud-based systems, digital communication tools, business management, operations, and more in different ways and applying it to a broader business context.

• Increase in online payments

Across the globe, people are moving towards digital payment option this is considered as a big shift in the financial landscape. A report by one of the top Companies depicted that by 2023, approximately 420 billion transactions will switch from cash to digital payments and by 2030 it would reach around \$48 trillion. While technology makes it much easier for end-to-end customers to outsource payments, and for accountants





to take those transactions into account, the rapid move towards digital payments puts additional pressure on banks. In fact, COVID-19 has increased the urgency to modernize payment systems.

- **Reporting of ESG**

ESG is gaining more reputation in modern organizations these days as ESG reporting helps companies fulfill corporate duty, while also working as a critical metric that delivers greater levels of organizational risk mitigation which not only focus on sustainability and ethical issues but also the growth of responsible investing among external investors. ESG criteria have become a crucial element for key stakeholders looking to assess business performance. This means it is crucial for companies to quantify their ESG efforts towards social and environmental challenges.

- **Computerized Accounting**

Automation helps companies to improve their service compliance, not only that, but by using new automation technologies companies don't have to spend much time, energy and resources on various tasks involving spreadsheets or number crunching. Through automation, companies can dedicate time on value adding tasks that involves human interaction or careful analysis. Automation can eliminate confusion, minimize errors, reduce time-wasting and make slow-moving processes fast.

- **Data Assessment**

Data analytics is also expected to make waves in the accounting sector along with cloud-based technology and computerized accounting. Data analytics helps their clients to uncover valuable financial insights and identify process that can increase efficiency or help companies to manage risk better. It provides organization a much clearer view to facilitate better decision-making. Through a combination of high-quality data and comprehensive reporting, organizations perform better financially.

2. DIGITAL TRANSFORMATION IN FINANCE

Every digital transformation initiative has its own certain goals, the main purpose of any digital transformation is to enhance current processes. Digital transformation is important because companies have to evolve and bring changes to remain competitive in their industry. Digital transformation is important for every organization to adapt ever-changing industries and improve their operation.



Benefits of Digital Transformation

While the Return on Investment of digital transformation depends on a variety of elements, the proper technology can largely modify business functions and customer engagement with it.

1. **Boosts product capacity while lessening labor cost: -**

Using technology to work more competently is one of the best ways to transform day to day businesses. For instance, companies spend time and money on training employees and updating digital resources but with proper technology company can keep labour cost down and productivity up.

2. **Expands the customer experience: -**

Technology provides customers with great experience through multiple innovation and upgradation through mobile apps, social media, email, live chat, etc. Digital transformations are the dynamic force behind improved customer experiences.

3. **Leads to revolution: -**

Digital transformation leads to innovation which provides progressive corporate prospects for better and improved performance and provide new routes to success. Digital modernization is the implementation of new digital technologies to solve existing business problems and improvise business practices. It helps organizations to stay relevant and competitive.

3. TECHNOLOGIES CHANGING SHAPE OF THE FINANCE WORLD

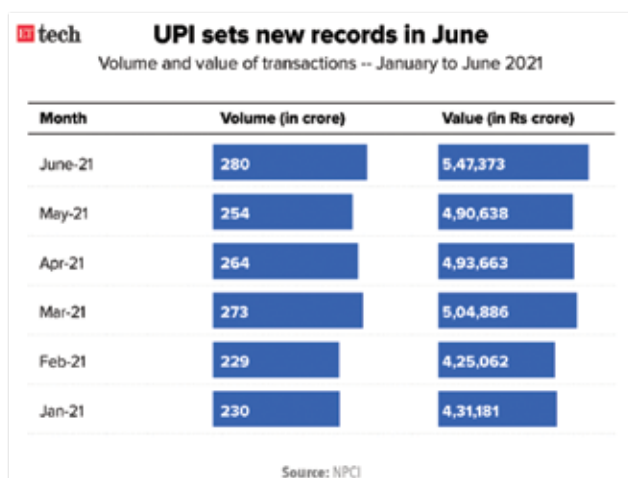
Finance and Technology together now known as 'Fintech' presents various opportunities for entrepreneurs with innovative solutions. Technology and finance have been interrelated from making of financial calculators to super

computers which helps to drive complex financial models. Nowadays major financial activity is carried out on mobile phones, enabling more people to have access to various financial services.

Apart from increasing access, technology has also incited variety of drastic changes to financial systems around the world, right from mobile investment apps to buying stocks online. There is continuous revolution, however, following are some of the most important trends which will shape the future of finance.

1. Mobile payments

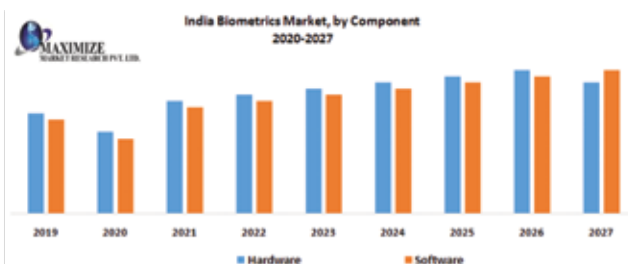
Cash is not outdated yet it is clearly not much preferred for financial transaction as people prefer online transaction more these days as mobile payments have to face. From small startups to technology giants like Apple and Google, mobile payments have become a priority in the financial service industry. Through mobile payments not only local transaction but international transactions are also possible.



(Reference: Economic Times)

2. Security

As financial services have moved from hand-to-hand transaction to remote interactions, security has become one of the major concerns that all people have to face it. Cybercrime has continued to rise at an alarming rate and providing safe and secure payments are becoming a standard operating expense for many companies. To combat this problem, an increasing focus on biometric solutions is a way of achieving the highest possible levels of security as biometric and fingerprints identification solutions are best as they cannot easily be hacked.



(Reference : Maximize Market Research Pvt Ltd)

3. Artificial Intelligence

Artificial intelligence, machine learning, robotic process, data analytics, and cloud-based infrastructures are some of the technologies that are reshaping finance. Enhancement in these technologies means adopting advanced solutions with relevance to accounts and finance. The applications of Artificial Intelligence and Machine Learning in finance continue to grow as the technology evolves. This technology use data science, artificial intelligence and machine learning process to automate and interpret financial activities.

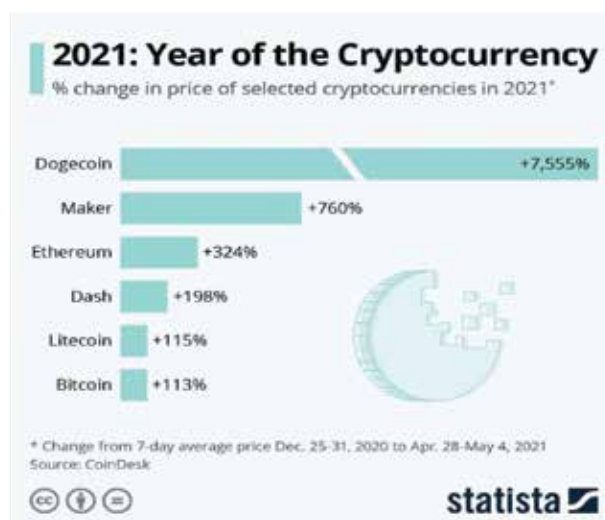
DO YOU KNOW?

“AlphaGo, created by the Google DeepMind team is the first artificial intelligence program to be able to beat human players at the game of Go”

Even technology is already being used in fraud detection, improving process automation in areas like tax accounting, reconciliations, and accounts payable. These technologies also help to improve financial planning and analysis, enhance risk management, and achieve regulatory compliance.

4. Cryptocurrency adoption

Primarily, cryptocurrency was new till early 2020 but now there is a growth in adoption among mainstream financial services. For example, in November, PayPal revealed it that it would offer all United States based consumers to purchase, hold and trade cryptocurrencies on its platform.



(Reference : Statista)

5. Regulation in technology

As companies are continuously building new technology, governments are bringing more regulation and new rules around the world to catch-up with new advancement and technology. Generally, regulations are made by considering and identifying risk, management, monitoring of transactions associated with them, and regular reporting. The main goal of setting regulation is to streamline the whole process with the relevant regulation.



4. FINANCIAL TRANSFORMATION FOR INCLUSIVE GROWTH

Companies seek to adapt and evolve their corporate functions as they grow on larger scale. Many companies are decentralized which empowers more people to act. Since many high growth organizations place emphasis on financial transformation, in such an environment companies need to keep pace with various technological change for inclusive growth. Successful organizations need approachable world-class finance support.

Companies need to take care of end-to-end digitization and harmonization of core financial process and its data as it is critical to maintain it, but now finance organizations can modernize their technology with the movement and flexibility needed to flourish in a rapidly changing business environment. Global technology company has to enhance its data visibility, obtain better insights, automate business processes to resolve various issues.

5. AGILE APPROACH TO FINANCE TRANSFORMATION

As finance functions across the globe evolve through their transformation journeys from data to value creation and decision support, the need for the agile finance function emerges by accelerating the transformation of finance teams and enhancing the delivery of value to the business, agility offers finance functions a route toward continuous transformation, improvement, customized solutions, and a collaborative, inclusive society.

Characteristics of an Agile Finance Function are as follows: -

- Efficient operations.
- Accessible data and metrics.
- Frequent inspection.
- Adaptation to change; and

Finance Transformation Strategy



When these concepts are paired with progressive technologies, value creation strategies, and an inclusive, cooperative culture, finance functions are well positioned to streamline daily tasks and accelerate project delivery, bolster the quality and relevance of analytical results, enhance offerings to the organizations they support, and foster continuous improvement, innovation, and inclusion.

6. NEED, CHALLENGES, AND BENEFITS OF FINANCIAL TRANSFORMATION

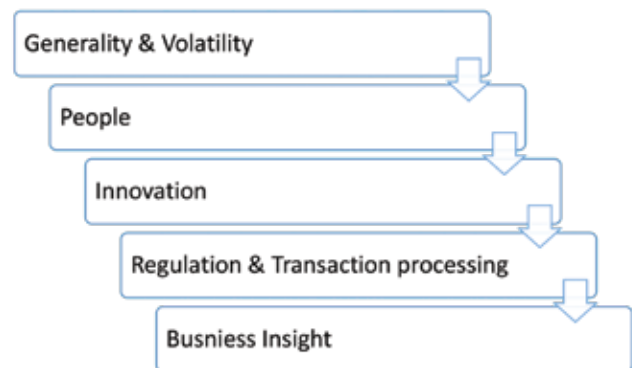
Need for financial transformation:

Due to globalization, pressure on companies to optimize its financial process increases. Finance transformation empowers finance leaders to gain full control over various financial processes. This can be achieved by automating accounting workflow and providing a secure workspace to complete financial activities including streamlining financial reporting. The main reason for performing a financial transformation is to increase efficiency and to reduce time while performing financial activities using the potential of financial automation.

Due to increased competitive pressure in modern financial function it becomes comprehensive advantage to adopt changes in financial activities along with all essential support services within the company.

The combination of new technology like cloud services, mobile tablets, and new software for business intelligence enables the company to run faster and achieve more accurate results, while improving the overall productivity through finance.

Drivers for Finance Transformation:



CHALLENGES

Financial transformation has been detected in the past, focusing principally on savings, slashing costs, achieving targeted results, and forming proper control and risk management procedures. After the global economic crash of 2008, companies focus more on bringing financial by enabling corporate strategy, capital agenda, and adapting new trends to survive in competitive market. The main challenges for enterprises are as follows.

Following are the challenges:



BENEFITS

• Enhanced customer experience

Financial service executives believe that customer experience is the top priority for financial and digital transformation as customers today are tech savvy and expect brands to be ahead and updated along with time. Going digital can attract wide range of customers, while banks and financial Institutes offer and deliver consistent and personalized products and services.

• Improved operational efficiency and revenue generation

Deploying the right set of financial transformation tools streamlines operational processes by automatizing manual tasks and integrating data. Such initiatives help companies to save time and costs, resulting in increased profits.

Finance transformation empowers finance leaders to gain full control over various financial processes. This can be achieved by automating accounting workflow and providing a secure workspace to complete financial activities including streamlining financial reporting. The main reason for performing a financial transformation is to increase efficiency and to reduce time while performing financial activities using the potential of financial automation.

• Easy data accessibility and management

Financial transformation helps in collecting, managing, and storing raw data that can be analyzed to rise business intelligence and optimize growth.

FINANCE TRANSFORMATION

Benefits of Financial Transformation



• Process agility and operational productivity

Automation increases process agility and productivity by eradicating human induced errors. It improves accuracy in repetitive processes and can largely improve operational efficiencies.

• Faster decisions

Artificial intelligence in financial transformation enables faster trade decisions related to capital market and other business decisions by using calculative insights with more customer centric approach.

7. TRANSFORMING FINANCE TO SUPPORT GROWTH COMPANIES

Successful organizations need intelligible business support for achieving high-growth results through their financial functions by inducing various business models these include:

1. Operating model transformation

Companies should be acquainted with various to evolve their business models. They need to regularize operating model within their ecosystem to assist customers and to increase their investments that can drive internal growth and value creation. They should focus on value creation while increasing network development by introducing financial transformation.

For instance, consider network company that need to quickly scale in its finance function to support rapid growth they offer innovative new service in the market. Even companies use various financial process to meet immediate capacity through automation. This opened opportunities to the reduce manual journal entries, the reduction of the month ends close process and important annual cost savings. The main focus in operating model should be on facilitating transformation more quickly and reinvesting it for business growth.

2. Platform 'optimization'

End-to-end digitization helps core optimization to financial procedures with the help of cloud support,

businesses revolutionize their activities technology with pace and elasticity to thrive in rapidly changing business environment.

For instance, global technology company uses new technology to enhance its data visibility, drive better insights, brings automation in various business processes. It is already seeing increased cooperation and better business decision support across different units.

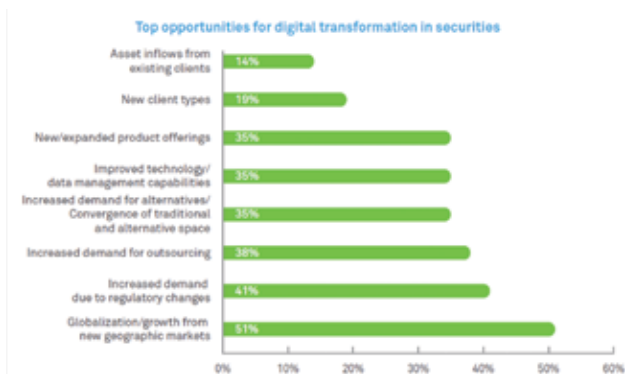
3. Data as an asset

Data can serve as the first mover for any to establish data ownership and set priorities by addressing data issues. Facing increased competition companies tend to transform its entire financial planning and analysis by reducing financial costs by improving its ability to deliver better outcome by using data. It involves determining in central reporting in a much standardize way and clear dashboards and analytics forecasting models this reduce quality challenges.



8. DIGITAL TRANSFORMATION IN SECURITIES AND CAPITAL MARKET

Digital transformation is becoming pervasive across various industries. Even capital market industry is based on data. Going digital in capital markets is a result of innovation rather than operations. Digital transformation in capital markets industry finds itself in a transitional period where it has the opportunity to adapt to digital trends and technologies as well as innovate business models.



(Source: Wipro)

Outsourcing plays an essential role for capital market companies to balance the demand for new capabilities offered by digital transformation while decreasing costs for the organization. The Digital Securities market will surely prove to be a boom in the securities market. Asset digitization is creating a whole new user practice. Digitizing an assets

and shares enables the shareholders to sell shares of private securities online exchanges on time helps investors to not suffer from their money being locked up in funds for years.

9. ROLE OF PROFESSIONALS IN ASSET MONETIZATION

Asset Monetization means creation of new source of revenue by unlocking underutilized public asset. It is recognized that public assets are significant resource for all economies. Many public sector assets are sub-optimally utilized and could be monetized to create greater financial leverage and value for the companies and of the equity that the government has invested in them.

The Government of India (GOI) and Finance Minister of India, Nirmala Sitharaman, announced National Monetization Pipeline to monetize the Government's assets valued over the next 4 years. The main objective of this programme is unlocking investments of the public sector assets for generating long-term capital that can be used for further public investments, mainly in infrastructure projects.

For instance, Government in the last 24 months has raised Rs 17,000 crores by using NHAI Toll-Operate-Transfer and also Rs 5000 crores in the infrastructure investment trusts which sums up to a total of Rs. 22,000 crores. The main three sectors in which the Government is planning for asset monetization are the roads, railways and electricity. This scheme also includes assets from power generation unit, Natural Gas Pipelines, Real Estate, Telecommunication etc.

Below is the Sector-wise Monetization for 2022-25 (Rs crore):



Source- Press Information Bureau Government of India

CONCLUSION

Financial transformation is not eliminating the need for a human workforce by replacing it with each and every financial activity with artificially intelligent tools and automation. Rather, the role of the financial professional changes and demands new competency and learning requirements. Senior executives and human resources must lead the change and encourage employees to develop the competencies and mindset for financial transformation and the digital world.

Digital Payment Mechanism: An Emerging Tool in Financial Sector

This paper highlights the surging scenario of digital payment applications in the commercial market in India and the role of banking institutions. In order to digitally empower the society to meet the challenges posed by the technology based economy, Government of India initiated various schemes to promote digital payment methods with a vision to build 'digital India'. It projects the measures initiated by the Government to achieve the vision of digitally powerful India and the need for more technology adapted financial professionals to safeguard the interests of the people in our country.



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DIGITAL PAYMENT: EVOLVING FINANCIAL TOOL

There is paradigm shift towards digital payment mode in the financial sector world over, which forces technology evolved financial system and India is not an exception. Its impact reflected more in the banking sector which is the kingpin of all kind of financial transactions. With an objective to empower the people of India digitally and to promote cashless transactions, Government of India launched various digital payment applications which in turn create digitally empowered economy. It can be presumed that one of the outcome of these payment mechanisms if viewed from the regulatory perspective is to bring transparency in the financial transactions, and in turn, check the black money transactions. In all these financial transactions, the role of banks are pertinent. Apart from this, the banking sector is racing and competing to the new world of digital economy in order to regain its control in the financial market. Traditional payment methods are being discouraged by Government policies in order to ease out the trade and commerce in tune with international standards. This calls for examination of challenges pose by technological innovations in the financial sector especially for the financial professionals in banking industry.

ROLE OF BANKS IN DIGITAL WORLD OF FINANCE

In US JP Morgan bank started digital currency of its own in 2019. There is a move towards the adoption of 'digital

finance'. In India also as per the reports published by Reserve Bank of India the "fintech production adoption stands roughly 60 percent which is the second-fastest pace in the world". It pointed out that, "...the success of digital finance services can be accredited to the mass shift of rural India from cash to a digital payments economy...digital finance is becoming the backbone of Indian economy". Recently, in India, Reserve Bank of India propose to amend the Reserve Bank of India Act, 1934 to include currency in digital form in the definition of 'bank note'. They propose to introduce Central Bank Digital Currency (CBDC) in India. The introduction of CBDC will help the regulators to monitor the 'cash-fuelled' corruption and bring lot of economic activities into tax web because of the 'digital trail' left by the transactions. Therefore, there is less likelihood of use of central bank money for nefarious purpose. It is also reported by some countries who experimented with CBDC that it will increase financial inclusion.

Nonetheless, it is a reality that an alternative financial world is leaping around the traditional banking sector and as a result, people and market players are embracing digital currencies at a rapid pace. No doubt there was a time when traditional banking system wobbled for centuries by accepting deposits and lending and the respective Governments controlled the flow of money in their local economies. However, as observed a banker in America "digital currencies let individuals bypass banks in money transfers, sales and business collections by connecting people instantly without an intermediary, are threatening to take away that central role banks play". The future for banking industry in India will not be different, therefore, there is a need to focus to develop our technological skills and empower the banking professionals as well as other financial professionals like company secretaries with this new evolving financial world.

DIGITAL PAYMENT: MEANING AND TYPES

Reserve Bank of India in its Digital Payment Index observed that, "RBI-DPI index has demonstrated significant growth in the index representing the rapid adoption and deepening of digital payments across the country in recent years". It was also reported that the transactions made using UPI mode has crossed \$100 billion for first time. This shows the phase in which people are getting accustomed to digital mode of financial transactions.

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Digital payments refer to those financial transactions where physical form of money is not involved, instead, transactions will take place through online mode. In this type of transaction the parties involved use electronic mediums to exchange money. Definition relating to digital payments can be inferred from the definition of "electronic fund transfer" mentioned in section 2(c) of Payment and Settlement Systems Act, 2017. According to it *"any electronic fund transfer" means any transfer of funds which is initiated by a person by way of instruction, authorization or order to a bank to debit or credit an account maintained with the bank through electronic means and includes point of sale transfers: automated teller machine transactions, direct deposits or withdrawal of funds, transfers initiated by telephone, internet and card payment.* Of course, digital payment does not mean that it will take place only on internet, it can take place on physical premises as well. For instance, purchasing product from a store and payment made using digital app. As per the report published in India, "66.6 billion transactions worth \$270.7 billion are expected to shift from cash to cards and digital payments by 2023". This shows the way the traditional cash payment method is going to change, no doubt the pandemic related restrictions accelerated such sudden surge in shifting towards digital payments. Some of the digital payment methods currently used are:

BANK CARD

Banking cards are one of the widely used means of digital payment method which offers consumers more security, convenience, and control. It includes debit, credit as well as prepaid cards. This mode is very popular payment mode both in online and physical transaction alike. These cards provide 2 factor authentication for secure payments e.g secure PIN and OTP.

UNSTRUCTURED SUPPLEMENTARY SERVICE DATA (USSD)

This digital payment method is launched to bring those sections of our society who lacks access to proper banking and internet facilities. This system is used with basic feature of mobile phone without the need to have internet data facility attached to it. It works by dialling *99# from a mobile phone. This mode can be envisaged as a tool to achieve the goal of financial inclusion by bringing the non-banking customers of the society also to the mainstream of services provided by banks.

Apart from these, the other digital devices include Unified Payments Interface (UPI) which is most popular mode of digital payment which works on Android mobile platforms, mobile wallet which is used like carrying cash but in digital form, micro ATMs etc.

REGULATORY FRAMEWORK

The legal framework to regulate the digital transactions remains nebulous in India. The primary law that governs the digital payment is enacted long back in 2007. Thus, when the Payment and Settlement Systems Act, 2007 was enacted, the digital payment market was in nascent stage. Presently, various studies show that "there is growing propensity towards digital payment adoption". It has moved to retail consumers from the business class consumers. No doubt, the law has conferred the necessary powers to regulate these systems, however, considering the surge in the use of with digital applications and the threat of cyber frauds, there is a need to amend the existing law by considering the policy decisions made by the Government. The existing gaps are addressed by RBI through directions issued from time to time, however, they may not be in many times in sync with policy response and International best practices which are followed by several countries. In a report published, it points out the need to adopt best international practices, "by deconstructing the digital payments value chain, tracing global best practices in payment system regulation and identifying the existing gaps in the PSS Act, this report argues for a modern retail payment services law in India that is built on the principles of proportionate regulation and balances regulatory flexibility with well-established statutory mandates that can promote competition, innovation and consumer protection". This shows the need for a strong legal framework required to meet the challenges to protect the financial interest of the people of our country.

Generally, in the interest of the growth of financial sector and in particular to safeguard the financial transactions of the people, there is a need for proper regulatory framework to ensure the smooth digital transactions. In this regard certain guidelines have been issued by Ministry of Electronics and Information Technology (MeitY) to monitor payments and receipts for cashless services. Apart from this, Reserve Bank of India is regulating these transaction by issuing guidelines from time to time. In one of its guidelines RBI has emphasised a need for a strong risk management system to protect customer data shared during the financial transactions. It has ensured certain mandatory requirements to be followed by the private entities to prevent fraudulent transactions like the restrictions towards multiple invalid attempts to log in, authenticating every payment transactions



through customer consent and sending alerts after every transactions etc. In other words, it can be seen that efforts have been made to increase confidence of customers in digital payment and prevent fraudulent transactions.

CRYPTO CURRENCIES: BITCOINS

In the financial market, after the financial crisis globally, Bitcoins were introduced in 2009 which allowed parties to undertake transactions without the use of a trusted intermediary, such as a central bank. They were used with the help of block chain technology which is presumed to be secure, transparent, and cost-effective. In this method the recording of transactions are made using complex algorithms and encryptions in order to ensure the transactions irrevocable, trusted and accessible to everyone in the system. It is pointed out that “block chain technology has been an important catalyst for the transformation of financial services such as insurance, asset management, stock trading, and banking”. Thus, many players in the market started experimenting with cryptocurrencies like Bitcoins and involved in trading. Banking industries in many countries were suspicious with the virtual currency transactions and discouraged the use of the same by not accepting it as a legal tender. Even in India, the Reserve Bank of India in 2018 effectively banned the use of crypto trade and cautioned bank from facilitating for the same because of its concern related to the financial stability of

the banking sector. However, later Supreme Court set aside the order of RBI in *Internet and Mobile Association of India v. Reserve Bank of India (2018)*. It pointed out that “in the absence of any legislative ban on the buying or selling of cryptocurrencies, the RBI cannot impose disproportionate restrictions on trading in these currencies”.

Nonetheless, earlier, at national as well as international level, the central banking institutions were reluctant to accept cryptocurrencies. However, things are changing in fast manner, as pointed out “those underlying cryptocurrencies, have lit a fire under central banks to start issuing their own digital currencies”. Many central banks are now pursuing their Governments to create rules which are in favour of banks. For instance, in America there is a proposal to accept bitcoin as a legal tender and also some banks offer cryptocurrency investment services to their wealthy clients. It is also remarked that “instead of warning regulators away from cryptocurrencies, banking industry representatives now complain that regulators have not acted quickly enough and that their inaction is costing banks valuable time in their mission to compete”.

A BRIEF OVERVIEW OF GOVERNMENT MEASURES

The Government of India, in order to promote digital transactions, initiated various measures through its different

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ministries and departments. It started “Digishala” (an educational television channel) with an objective to create awareness of the digital payment methods to the rural and semi urban population. “Digital Saksharta Abhiyan” (DISHA) is the measure launched with a vision to reach the rural India to generate awareness on digital finance options and services through Common Service Centres (CSCs). Higher Educational Institutions, faculty members and students were made part of a mission “Vittiya Saksharata Abhiyan” to encourage and motivate all people to use digitally enable cashless economic system for transfer of funds.

ALGORITHM AND PAYMENT MECHANISM

In digital payments, authenticity of data is very crucial in terms of security of the financial transactions and privacy of the person. The greater the number of layers of protection, greater will be its authenticity. It includes credentials like PIN, digital signature, cryptographic key etc. In this scenario, algorithm provides security for digital payment made. It was reported in 2018 that “algorithmization is going to change the payment industry”. It is the “the process of using digitized labelled data which is stored as a data set in a database, and using automated processes to create analytics from which users can derive”. This software programmes are generally managed by Financial Technology Companies (FinTec) which is giving competitive edge for banking companies. For instance, Paytm, Mobikwick in India. It is reported “Fintech is equipping the banking industry with tools that makes it more efficient than ever before. Banking institutions are using tools like chatbots to enhance customer experience, mobile apps to give customers real-time looks into their bank accounts and machine learning to secure against fraud”. This shows that there is a need for more technology experts in banking sector as algorithm induced digital payment are increasing in the market.

CONCLUSION

Digital Payment methods are surging in the financial market under the policies of Government and market players on one side, therefore, on the other side the financial professionals are expected to equip themselves with technology skills in the field of accounting and block chain technologies apart from cyber laws. It would be advisable if banking institutions be more vigilant to adapt emerging technological advancements in their financial services considering the increase in the use of digital apps by people and generate more awareness to the customers to be cautious while using such digital payment applications apart from providing regular updates and notifications on the financial transactions.

The role of financial professionals to update the Information Technology Laws, Cyber laws apart from training in use of block chain technology cannot be ignored. There is a need for collaboration with the IIT and other institutions for providing technology related short term training programmes to financial professionals. In future, along with the understanding of accounting standards there will be demand for a skilled software developer who will programme a secure software system managing accounts. There will be demand for the developers of digital wallets and digital payment companies. It is the era of computer programmers to sweep the market with their skills on data structures and algorithms to solve and simplify the day to day real-life chores. Digital transformation in the payment system is changing the economy. This evolution of the cashless economy when safe and trustworthy is a great boon to society.

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Financial Inclusion: Law, Policy and Justice

The article deals with the concept of financial inclusion, its genesis and growth. While tracing the origin of the term to a policy document of Reserve Bank of India and its increasing use since 2005 all over the world especially after United Nations recognized it as a tool of development and strategy for poverty alleviation. The MDG (Millennium Development Goals) and Sustainable Development Goals (SDGs) too have focused on financial inclusion as enabler in their effort towards poverty eradication. Analyzing Setting the concept and its implication in India the article discusses the role of banks in ensuring financial inclusion especially for the poor, marginalized and women. One of the main focuses of the article has been the critical analysis of JAM (Jandhan Yojna, Aadhar and Mobile) as a game changing government policy initiative that aims at preventing corruption and role of middlemen through Direct Benefit Transfer (DBT).



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INTRODUCTION

A cursory glance at the fast-unfolding events at the world stage is sufficient enough to explain the role of globalization as a process of macro sociological change in setting the agenda and restructuring the conditions of existence. In fact, after the industrial revolution and colonialism, globalization is the most influential event that has set the course of history. Of late, there has been a virtual flooding of literature on globalization critically examining its various dimensions and directions across the world especially on its social, cultural and economic facets (Robertson 1992; Giddens 1994, 1996; Waters 1995; Marginson 1998, Mundy 2000, Stiglitz 2002, Bhagwati 2004, Wolf 2004, Friedman 2005, Stegar 2020, Tang et al 2020 etc.). At the cost of being labelled as economic determinist, it would be honest to assume that is economic wheels of globalization that has set the space for gigantic social and cultural transformation. This becomes more pronounced when we look at the impact of market forces and consequent transformation in technology, polity and culture. The focus on financial inclusion depicts the interplay of market forces, technological development and social change. Globalization has not just focused on wealth creation and delimitation of geographical boundaries but it has also brought development, human right and poverty eradication into focus. Both as a sociologist and lawyer rather as a student of sociology of law the author perceives the concept and development of financial inclusion as

mechanism of empowerment of citizenry especially the poor and marginalized which includes a large and substantial number of women.

Poverty has been the biggest hurdle in the progress of human society consequently states and societies have made numerous efforts to tackle, eradicate and eliminate poverty without much success especially in developing and underdeveloped countries. Later it was realized that the world cannot control poverty unless there is a global and calibrated effort is made. This has found resonance both in Millennium Development Goals (MDG) and later Sustainable Development Goals (SDGs). In fact, financial inclusion is one of the enablers in 7 out of 17 SDGs. The war against poverty mandated financial inclusion as a means to eradicate poverty by empowering the marginalized and poor sections of the society. This has a lot to do with social exclusion which left a large number of poor and destitute outside the orbit of participation by creating barricades of wealth, power and degree of social interaction. Since effective participation in community life requires mostly financial capabilities, it is imperative to begin the inclusion process through finance.

According to World Bank Group, 'financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way'. In the words of Dr. Raghuram Rajan, Chairman, Financial Sector Reforms, financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. In other words, financial inclusion refers to access, assistance and delivery of financial products and services to individuals and businesses who were hitherto out of its ambit due structural, technical and functional prerequisites.

THE BURDEN OF BANKING RULES

Needless to add that being able to have access to a transaction account is a first step toward broader financial inclusion since a transaction account allows people to store money and send and receive payments. A transaction account serves as a gateway to other financial services, which is why ensuring that people worldwide can have access to a transaction account is both essential

*The views expressed are personal views of the author

It has been found that countries with high mobile money account ownership have less gender inequality. Since 2010, more than 55 countries have made commitments to financial inclusion, and more than 60 countries have either launched or are developing a national strategy. When countries take a strategic approach and develop national financial inclusion strategies which bring together financial regulators, telecommunications, competition and education ministries, our research indicates that when countries institute a national financial inclusion strategy, they increase the pace and impact of reforms.

and imperative and we in India were pretty much lagged behind. Financial access facilitates day-to-day living and helps families and businesses plan for everything from long-term goals to unexpected emergencies. As accountholders, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, which can improve the overall quality of their lives. However, close to one-third of adults – 1.7 billion – are still unbanked, according to the latest Findex data. About half of unbanked people include women poor households in rural areas or out of the workforce. The gender gap in account ownership remains stuck at 9 percentage points in developing countries, hindering women from being able to effectively control their financial lives. It has been found that countries with high mobile money account ownership have less gender inequality. Since 2010, more than 55 countries have made commitments to financial inclusion, and more than 60 countries have either launched or are developing a national strategy. When countries take a strategic approach and develop national financial inclusion strategies which bring together financial regulators, telecommunications, competition and education ministries, our research indicates that when countries institute a national financial inclusion strategy, they increase the pace and impact of reforms.

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OBJECTIVES OF FINANCIAL INCLUSION

Financial inclusion intends to provide the following:

- A basic no-frills banking account for making and receiving payments
- Saving products (including investment and pension)
- Simple credit products and overdrafts linked with no-frills accounts
- Remittance, or money transfer facilities
- Micro insurance (life) and non-micro insurance (life and non-life)
- Micro pension

FINANCIAL INCLUSION IN INDIA

In the Indian subcontinent, the concept of financial inclusion was first discussed in the year 2005 by the Reserve Bank of India by releasing the Annual Policy Statement. Soon, the concept started to spread in every part of the nation. It was intended to address the absence of formal financial and banking institutions in remote and rural areas to cater to the financial needs of poor and vulnerable. The Khan Committee Report dealt with the issue of rural credit and microfinance and harped on the failure of the system to provide professional and legitimate financial service to a vast majority of people. The report emphasized on providing access to essential financial services by helping them to open a bank account that does not come with any frills or complicated elements. All banks were asked to minimise regulations regarding account creation processes for the economically weaker



sections of the society. Several banks were asked to work together towards 100% financial inclusion by taking part in campaigns started by the RBI.

The RBI Governor in his address to the Economic Times Financial Inclusion Summit mentioned that the 'financial inclusion journey of the country can be traced back to the 1950s when the focus was on channelizing of credit to the neglected sectors of the economy and weaker sections of the population. This was followed by various initiatives over the years such as expansion of branch network, introduction of Priority Sector Lending (PSL), launch of Lead Bank Scheme, promotion of Self-Help Groups (SHGs), Joint Liability Groups (JLGs), implementation of Business Correspondents (BC) model, among others. The brick-and-mortar branches, complemented by the BC model, have improved the reach of the banking system across the country. The spread and reach of financial inclusion have indeed been exponential in recent years.'

In fact, the process of financial inclusion gathered momentum with the change of government at the centre in 2014 and the Modi government took significant and far-reaching steps to ensure that government benefits and welfare schemes reach to the real beneficiaries. It was a significant step considering that nearly 85 percent of developmental expenditure of the government were siphoned out of State coffers by the intermediaries. It was an effort to curb the corruption as well as to take the poor out of poverty trap. In order to eliminate middlemen, form the transaction and focusing on fast transfer of economic benefits the government emphasized on the Direct Benefits Transfer proposal (DBT). This of course, could not have happened without creating a bank account. As we have discussed earlier this was one of the biggest hurdles both for the people and government as banks were unable to give this access without certain guidelines and parameters. Few of them being deposit of minimum amount during to initiate the account opening procedure, need of an introducer and continuous operation of the account. These processes though standard were both stringent and required frequent visits to bank making it

extremely cumbersome for a person who is both illiterate and ignorant. Therefore, the need to create no-frill account and the necessity to take the bank to the people. The process required involvement and empowerment of non-banking financial companies to deal with the problems arising out infrastructure and personnel as the task was gigantic. The RBI stepped in to facilitate the process by bringing out necessary legal and intuitional transformation.

The second most important and corresponding change was the implosion of information technology and digitalization. The rise of internet and massification of smart phone enabled the common user to access a variety of services right through his mobile phone. This required the support of corporations working in the areas of financial technology. The realignment of banking norms and facilitation of Fintech companies along with internet service providers brought a paradigm shift in the banking experience. The most important of such government initiative to deal with poverty is Pradhan Mantri Jan Dhan Yojana (PMJDY). It is notable that around 192.1 million accounts have been opened under the scheme. These zero-balance bank accounts have been accompanied by 165.1 million debit cards, a life insurance cover of Rs 30,000 and an accidental insurance cover of Rs 1 lakh. Other than PMJDY, there are several other financial inclusion schemes in India — Jeevan Suraksha Bandhan Yojana, Pradhan Mantri Vaya Vandana Yojana, Pradhan Mantri Mudra Yojana, Stand Up India scheme, Venture Capital Fund for Scheduled Castes under the social-sector initiatives, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), Varishtha Pension Bima Yojana (VPBY), Credit Enhancement Guarantee Scheme (CEGS) for scheduled castes, and Sukanya Samriddhi Yojana.

But these schemes would not have been possible without pilferage sans the linking of Aadhar. The Unique Identification Authority of India's initiative to provide a unique identity based on biometric identifier to every Indian citizen is a game changer. Though started by the previous UPA government, the new regime took to a higher notch by enacting legislation and providing it legal sanction

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through Parliament. The government used the identity as a means to access government beneficial schemes. After prolonged litigation the Supreme Court mandated the use of Aadhar as basis to access government benefits of government welfare schemes though it is still not the only proof of identity. Therefore, the trinity of JAM (Jandhan, Aadhar and Mobile) are now playing a remarkable role in the nations fight against poverty.

LAW AND JUSTICE IN THE DOMAIN OF ECONOMIC TRANSACTION

In a post-globalized world where borders are becoming increasingly invisible and the proverbial Leviathan -state is withdrawing its tentacles, 'rights' have quietly made into the lexicon of political discourse. Amartya Sen focuses not on the ownership of commodities but on enhancement of peoples' capabilities. Commodities are important for enriching human life, but their effectiveness depends on personal characteristics and social circumstances, variations which contribute to inequalities in a society. One such inequalities is the inequal exchange of and access to information. Information is key to raising awareness of the range of consumption options available and enabling the consumer to decide which choices are best. Without information, there is no way of knowing what goods and services are available in the market, and what services are being provided by the state and are, by right, available to all. Advertisement and public information campaigns play an important role in this respect. As with all things, a balance is required.

In this context, the growth of law both as a discipline and as an instrument of governance has immense theoretical and practical utility. especially in the context of growing democratization of states where 'the rule of law' has become an article of faith. possibility using legal competency to empower poor in general and impoverished

women in particular through JAM is both significant and substantive. We look at law in a seemingly confused state of understanding, either as a series of carefully crafted structures of rules or as 'livid-in' experiences of application of law in our life situations. Ideally it should be the task of the state to translate the logic and language of law for the multitude of vulnerable and socially excluded groups as an emancipatory project.

In ordinary sense justice is a concept on ethics and law that means that people behave in a way that is fair, equal and balanced for everyone. Amartya Sen identifies justice with right and entitlement. Therefore, generally it can be said that justice is a concept There are mainly three types of justice i. e. distributive, procedural and retributive. The main characteristics of justice are impartiality, consistency and trust. Similarly, social justice may be thought of simply as "the common good through the equalization of goods or services" (Sadeghi and Price, 2007: p. 4), or it may be more elaborately defined as "the fair distribution of opportunities, rewards and responsibilities in society, as well as principles and institutions for the distribution of meaningful social goods – income, shelter, food, health, education, the freedom to pursue individual goals" (Hudson, 2013: p. 432).

Then the question arises whether mere financial inclusion can guarantee justice in the context of existing and expected limitations? This becomes more apparent when examine the contours of digital divide and regional points of deprivation. The access to financial services through digital medium requires digital literacy and affordability of smart phone and internet connectivity. With increasing number of users there has been a network congestion and rise in price of connectivity. Further, there is the threat of cybercrime and rise of unscrupulous elements in the market to defraud the consumers. It requires not both financial inclusion literacy but also necessary and continuous instructions on cyber security.

CONCLUSION

As the boundary between public and private is getting increasingly blurred and porous and internet platforms are beginning to dominate the earth, there is an urgent need to create a safety net for the digitally vulnerable and net starved people. Further, the vanishing point between a welfare state armed with the principle of *parens patrie* and state focusing on contractual governance getting indistinguishable the plight of the commoner has gone manifold. A step in the direction is the empowerment of civil society and arrest of digital divide. We need principles that allow all people to engage in transparent, informed, and democratic debate, therefore, to achieve both financial inclusion and financial justice, we need a radical transformation in the nature of of State, individuals, communities, and civil society. The need now is to create not just financial inclusion but also emphasise on inclusive society that will ensure what P. Sainath call 'the meek shall inherit the earth'.

e-RUPI: A Novel Digital Financial Solution

Financial transformation for financial inclusion has been one of the few challenges that the Government has been trying but is yet to achieve completely. A breakthrough digital solution adopted by Govt of India is now the latest sensation and is closely tracked by the global financial experts and policymakers for wider adoption. e-RUPI is the digital product introduced by the Government of India and has already met with success demonstrating the scope for exponential usage



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INTRODUCTION

E-RUPI was launched by the Prime Minister of India on 2nd August 2021. The responses are mixed. Those who misunderstood digital currency and digital payments as one and the same have termed e-RUPI as the cryptocurrency issued by the Government of India. Those who have apprehensions on digital payments criticized it as an online payment mechanism which will not completely succeed in a country like India. But many have not understood the concept and the utility of e-RUPI which is an electronic voucher. In this article, an attempt has been made to present the concept of e-RUPI, its need, and the potential of the concept in the future as also the quantification of the possible savings associated with usage of electronic vouchers has been explored.

All kinds of grants, subventions, aids, sponsorships, etc. are some kinds of subsidies. The subsidy distribution is presently done by the Governments in India by paying the respective vendors and allowing the vendors to price the supplies lower to the extent of the subsidy. Due to this, when the pricing by the vendor to all the customers of the products and services is uniform, resultantly the subsidy is distributed to all the customers regardless of their economic status. Since the subsidies are meant to support the poor who cannot afford the essential products and services due to the cost of living or income inequalities, etc., if the subsidized price is extended to all the consumers, the objective of subsidy is either underachieved or defeated.

The guiding principles of providing subsidies is that it shall be provided only to the deserving poor customers than to

all the customers. However, segregating the transactions at the vendors end will be highly difficult since vendors may not have the data, mechanism, and even commitment to prioritize the Government's welfare objective above their business objectives. In the process, rather than providing consumption power to the poor, the outcome may result in benefitting traders and businesses at a further cost of the poor. One of the solutions is direct benefit transfer (DBT) schemes. While DBT schemes may not appear to be complex as a concept, the cash distributed to the beneficiaries may be misused by them thereby defeating the purpose for which the cash is distributed. These anomalies can be addressed if targeted vouchers are distributed to the beneficiaries programming them in such a way that the vouchers cannot be transferred, cannot be misused, and the usage can be tracked for subsequent policy decisions.

e-RUPI is an electronic voucher which is granted by the Government to the beneficiaries by sending an electronic ticket to the telephone of the intended beneficiary. The voucher can be in the form of a Quick Response (QR) code or in the form of a Short Message Service (SMS). This is a digital payment and is a cashless and contactless payment mode.

The e-RUPI voucher beneficiary will have to approach the service providers or the vendors rendering the supplies identified by the Government. The e-RUPI beneficiary should transmit the SMS or the QR code to the vendor upon obtaining the supply from the vendor. A One Time Password (OTP) will be generated from NPCI and will be sent to the e-RUPI beneficiary. Only after the OTP is shared by the beneficiary to the vendor, will the vendor be able to receive the value of the voucher into the vendor's bank account. Since the transaction including the payment is made directly by the Government to the vendor through NPCI, no transactional costs exist and no intermediary exists.

Further, since the voucher can be sent by way of an SMS also, the beneficiary doesn't need internet connection and even without downloading any software applications (Apps), the voucher can be used. Since the voucher can be administered through an SMS also, even smartphones may not be required. This voucher can be used by the beneficiary without having any credit card, debit card, mobile app, or internet connection.

Under e-RUPI system, identification of the beneficiaries is through their mobile numbers and the electronic vouchers are distributed into their mobile number connections. Government is also considering to use the e-RUPI system for distributing benefits under Ayushman Bharat, Pradhan Mantri Jan Arogya Yojana, fertilizer subsidy, subsidies on seed costs, support prices for agriculture produces, etc.

National Payments Corporation of India (NPCI) is a Not-For-Profit organization established to facilitate retail payments and settlement transactions and systems. NPCI is therefore also mandated to maintain the required infrastructure for the settlements of the banking system through both physical and electronic modes using technology.

While the beneficiary cum e-RUPI voucher owner need not have to download any App, the voucher accepting vendors need to have the supporting App to receive the amount redeemed by the voucher owner. NPCI, Department of Financial Services, Ministry of Health and Family Welfare, and National Health Authority, etc. have jointly developed this app.

NPCI has leveraged upon its unified payment interface (UPI) platform to link the banks for administering the e-RUPI voucher. As of now, the issuance and redemption facilities for the accepting vendors of the e-RUPI vouchers is administered through few banks viz., State Bank of India (SBI), ICICI Bank, HDFC Bank, Punjab National Bank (PNB), Axis Bank and Bank of Baroda. The payments through e-RUPI is secured and cannot be tampered with. The payment can be made instantly and can be used only by the beneficiary. Through this e-RUPI system, medicines and nutritional assistance can also be provided under maternal and child welfare schemes as well as TB eradication programs so that the help given directly reaches the beneficiary.

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Electronic voucher system is implemented in countries such as China and Hong Kong and it is found that electronic voucher system is effective in distributing the

subsidies or freebies. When global financial crisis affected Taiwan's economy very adversely, Government issued consumption vouchers to enable the poor meet their consumption requirements by redeeming the consumption vouchers. Such a consumption voucher system was found to be much better than distributing cash directly or universally distributing subsidies to all the consumers. The improved version of the consumption voucher system is the electronic voucher system.

The experiences of China and Hong Kong with the electronic voucher system are quite positive and are worth emulating. Hong Kong implemented 'HK\$5,000 consumption voucher scheme' in two phases, the first of which started in July 2021 followed by the second in October 2021. The vouchers are transferred to the beneficiaries through four major Stored Value Facility (SVF) operators viz., Alipay HK, Octopus, Tap & Go, and WeChat Pay HK. These SVFs have payment systems accepted in retail shops, restaurants, eateries, market stalls, departmental stores, supermarkets, food stores, convenience stores, coffee shops, beauty salons, entertainment and recreational stores, public transportation, etc. However, the vouchers are not allowed to be used for paying taxes, duties, fines, penalties, etc. or to purchase financial or investment products or insurance policies. These vouchers are not allowed to make person to person payment and the vouchers are non-transferable.

The Indian version of such consumption vouchers is e-RUPI. Being electronic voucher-based distribution system, e-RUPI has the potential to significantly reduce the cost of administering the subsidies. The savings can be estimated if the exact cost of administering the subsidies is known. As there is no official publication or disclosure of cost of administering the subsidies, the cost percentage can be deduced from other sources. One of the publications of the Government has indirectly revealed the cost of administering one of the subsidies. For one of the recent schemes viz., distribution of 5 Kg rice or wheat, the cost towards transportation, handling and dealer margins was reported as Rs. 1,930 for distributing grains worth Rs. 44,131 Crores. This programme was implemented during April to June 2020. The cost of administering the subsidy as a percentage of the subsidy is thus 4.19%. Since the food grain distribution scheme involves relatable cost of administration, this can be adopted as a comparable and reliable estimate of cost of administering majority of the subsidies. It is seen that every union budget generally tends to earmark amounts for food subsidies, fertilizer subsidies, petroleum subsidies, interest and other subsidies. The cost of administering these subsidies will be comparable with the administration cost deduced above. Using this deduced estimate of 4.19% as the cost of administering the subsidies of the union budget also and presuming that the e-RUPI will at least save cost of administering subsidies to the extent of the said 4.19%, the savings are estimated and presented in the following table.

Administration cost for subsidy vs reduction in fiscal deficit to budget

All amounts In Rs. billion crores

Budget Year	Budget Actual Expenditure	Total subsidies	Fiscal deficit	Fiscal Deficit % to Budget	Admin cost of subsidy	Admin cost % in Fiscal Deficit	Net fiscal deficit % to Budget
2019-20	26,863.30	2,623.04	9,336.51	34.76%	109.91	1.18%	33.58%
2018-19	24,422.13	2,229.54	6,494.17	26.59%	93.42	1.44%	25.15%
2017-18	21,419.73	2,244.55	5,910.62	27.59%	94.05	1.59%	26.00%
2016-17	19,751.94	2,631.00	5,356.18	27.12%	110.24	2.06%	25.06%
2015-16	17,907.83	2,641.05	5,327.90	29.75%	110.66	2.08%	27.67%
2014-15	16,636.73	2,583.00	5,107.30	30.70%	108.23	2.12%	28.58%
2013-14	15,594.47	2,447.20	5,028.60	32.25%	102.54	2.04%	30.21%
2012-13	14,103.72	2,474.90	4,901.90	34.76%	103.70	2.12%	32.64%
2011-12	13,043.65	2,113.00	4,128.17	31.65%	88.53	2.14%	29.50%
2010-11	11,973.28	1,734.20	3,735.91	31.20%	72.66	1.94%	29.26%
2009-10	10,244.87	1,413.51	4,184.82	40.85%	59.23	1.42%	39.43%

For the purpose of authenticity, the actual expenditure of the past 10 fiscal years Indian union budget expenditures and the subsidies are considered and the possible savings if an electronic voucher such as e-RUPI is used to administer the subsidies are computed. If the administration cost of subsidies is saved, the fiscal deficit would reduce to that extent. Therefore, it is informative to understand the savings in subsidy administration cost as a percent of fiscal deficit. From the computation in the table, it can be observed that the potential savings from the usage of e-RUPI would be between 1.18% and 2.14% per annum as a percentage of the fiscal deficit. The total possible savings, if an electronic voucher such as e-RUPI is employed, is estimated to be to the tune of Rs. 1,05,316 crores. By any measure, this amount is considerably huge to implement a 10-year spanning infrastructure project of even a progressive welfare programme.

The initial version of e-RUPI appears to have been launched after incorporating the required features and

after ensuring a smooth implementation. However, e-RUPI can accommodate further features and need to improve in all aspects to emerge as a fool-proof system with accountability, complete trial and audit.

The impact of e-RUPI is more than what could be envisaged at this stage of transformation. The interest rates charged by lenders on personal loans, informal loans, small business loans, etc., will have a check since e-RUPI could ensure rightful distribution resulting in relatively lowered demand for such loans which would have been in greater demand if subsidy distribution is not effective. Further, the effective distribution of subsidies through a mechanism like e-RUPI will positively influence the inflationary impacts.

Since e-RUPI is an electronic voucher, the data of the subsidy distribution can be sufficiently collected. The details of sections of beneficiaries, the purpose for which the vouchers are used such as food or other essential services, etc. can be automatically collected. By analysing the observations of the usage of the vouchers, policy makers can understand the need for subsidies, quantum of subsidies, nature of subsidies, season of subsidies, etc. Accordingly, the policies related to the subsidies and the distribution mechanism can be reoriented and reframed to achieve the objectives desired for subsidy distribution.

Thus, e-RUPI can contribute huge benefits in terms of transparency, accountability, justified subsidy program, swift distribution, avoiding physical cash float, encouraging bank transactions, reducing indigenous lending transactions, and finally huge cost savings.

However, while e-RUPI has huge potential to be widely implemented for all subsidies and similar distributions across the country, it has its share of shortfalls as well. Some vendors may purchase the electronic vouchers for cash rather than supplying the targeted goods or services to support welfare. This shortcoming can be addressed



e-RUPI: A Novel Digital Financial Solution

by the use of artificial intelligence or even by providing for digital systems check/audit of the transactions records, which will go a long way in minimizing the exploitation, if not doing away with it totally to zero level. Additionally, by levying heavy penalties and by blocking PAN numbers oferring businesses, unethical practices can be ended.

The major shortfall however will be the internet connectivity. Despite internet penetration of about 60%, widely populated India is still lacking in holistic internet connectivity and digital literacy. As per the IAMAI Kantar ICUBE 2020 report, about 43% of the total population of India are active users of Internet, which is a very low number considering the extent of penetration required for the success of any online digital systems. Even within India, while certain states like Maharashtra, Goa and Kerala has higher penetration at 61%, 60% and 59%, certain other states like Chhatisgarh, Jharkhand and Bihar are characterized by lower penetration levels at 29%, 29% and 24% respectively. Thus, the mobile connectivity is still incomplete. The government is fully aware of this shortfall. Hence, to overcome this issue gradually and as an advanced step to facilitate the full-fledged evolution of electronic vouchers, RBI has decided to allow offline digital payments through any channel or instrument such as debit cards, digital wallets, or mobile telephones. Being offline, these transactions can be carried out without internet or telecom connectivity and do not require Additional Factor of Authentication (AFA). Since AFA has to be bypassed, such offline digital transactions are limited to Rs. 200 per transaction and up to a total of Rs. 2,000 until the balance in the account is replenished. Customers in rural and semi urban areas and those who do not have the knowledge and /or ease of transacting through complete electronic cash can transact through offline digital payments. Such payments will be made by the Banks only with the prior consent of the customers. The overall customer liability under such offline digital payment transactions will be protected and limited under the extant RBI provisions.

The electronic voucher payments and offline digital payments enjoy huge flexibility, ease of transaction, time saving, cost saving, and reduces travel, has trail for records and audit, and enhances the trust and credit in the system.



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As the other shortfalls could get addressed with systemic measures, the residual problem which requires resolve of government, authorities, and other stakeholders as well is identifying the genuine and deserving beneficiaries. While reducing the cost of administering the subsidies is important, more important is proper identification of the deserving and genuine beneficiaries. The benefits from e-RUPI will be more fruitful with the identification of genuine and deserving beneficiaries.

CONCLUSION

Assuming that the shortfalls will be addressed as they can, the business canvass will make the players either to consolidate or to grow bigger. Either way, the organizations require additional services of professionals like Company Secretaries, Chartered Accountants, Cost Accountants, and Advocates. As the digital transactions have less scope for manipulation or misrepresentations, the professionals enjoy much better independence in rendering their services. Where professional independence prevails, transparency exists, costs are competitive, checks and balances are inbuilt, audit trails remain, accountability and responsibility are fixed, the system is much better and paves way for a better economy. Thanks to the digital finance, it has so much of positive scope.

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Blockchain- Its Impact on Accountancy

The Fourth Industrial Revolution, popularly referred as “Industry 4.0”, involves innovations through digital technologies like artificial intelligence, internet of things, big data and blockchain. Blockchain Technology is a transparent and secured trajectory of ‘public ledger system’ has the potential to change the business processes across industries and can disrupt the way we carry out accounting as well as auditing functions. The article provides an insight about the concept of blockchain technology, its framework and the benefit it provides to Accountancy Professionals.



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INTRODUCTION

Blockchain is a decentralized digital ledger on which transactions can be recorded chronologically that cannot be altered or destroyed and can be viewed by all the participants in the network. This technology seeks to improve the accounting functions by lowering the overheads of maintaining and reconciling ledgers and offering complete transparency into asset ownership and history. This article provides an insight about the concept of blockchain technology, its framework and application in different fields. It focuses on the principle of triple entry system used in blockchain accounting and explores the prospects and challenges of shifting to blockchain accounting.

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Blockchain gained phenomenal recognition with its association with Bitcoin. The technology stands out with its habit of decentralized database and distributed trust. Its power drives a pathway for this incredible technology to blow away accountancy with its out-of-ordinary style.

The article throws light into the design of accountancy of Blockchain, its components, and the benefit it provides to Accountancy Professionals along with a review of existing applications utilizing its power.

Blockchain technology, elucidated in simple words, means a digital and decentralised database that stores assets and transactions across a peer-to-peer network. Blockchain technology is a unification of two familiar words, blocks and chains. Visualize blocks of data in digital form chained together.

Accounting in common parlance is the process for identifying, measuring, recognizing, recording and reporting economic events to facilitate informed judgements and decisions by internal and external stakeholders.

Many present day institutional frameworks, as opined by researchers, also stand on the foundation laid by Fra Pacioli. Albeit ERP oriented accounting systems like SAP, Oracle, financial, etc. have reduced rudimentary tasks for book writing, human interventions continue to be a must for reviewing, monitoring and reporting. SOPs for minimising certain operational and financial risks can be embedded while configuring ERPs, yet one can still not conclude with conviction that Accountancy has gone through digital transformation worth reckonable. The tasks for ensuring internal controls for financial reporting (ICFR) as assigned by sections 134, 143 and 177 of Indian Companies Act, in similar lines of Section 404 of Sarbanes Oxley Act, 2002, USA are still to a large extent dependent on human interventions.

As per the conclusions of Aleksey Kwilinski states in his paper “The Blockchain Technology aims to put an end to traditional methods of billing, documenting, processing, registering, inventory systems, and paying for business. The introduction of the blockchain technology (or its more advanced technological counterparts) will allow synchronizing accounting records between contractors, which will allow for ongoing automated audits. The emphasis will be shifting to questions that will require the auditor’s own judgment: complex non-standard operations, effective internal control mechanisms, analytics and forecasting, IT audit, assessment”.

According to a report by Deloitte, Germany “Digitalisation of the accounting system is still in its infancy. Some of the reasons may be found in the exceptionally high regulatory requirements in respect to validity and integrity. The entire accounting system is built, such that forgery is impossible or at least very costly. Among other things there are systematic duplication of efforts, extensive documentations, and periodical controls. Most of them are manual, labour intensive tasks and far from being automated.”

One of the major objectives for digital transformation of accounting must be to ensure that none of the four frameworks of accounting and reporting are compromised, yet at the same time the errors and distortions due to human interventions are obviated. Additionally, relevance, reliability, and integrity of transactional records and reporting therefrom must further be enhanced simultaneously with improvements in speed and documented authenticity of financial information generated from transactional and accounting records.

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Therefore, the first and foremost objective of this article is to explain how blockchain technology, with distributed data storage management systems (DDSM), can be of help achieving all these. Efforts would also be made to bring out how blockchain technology can assure user organizations, their auditors, and stakeholders all the above features of financial accounting with near zero error possibility. This article would also explain how blockchain platforms can automate and digitalise the processes of recording each transaction, with or without involvement of financial value(s), and minimise various risks of fraud and forgery as well as reporting risks by complying with all the said four frameworks of accounting.

Blockchain technology (BCT) is a transparent, distributed, decentralised technological chain growing at CAGR of 35% in 2017- increasing to 42% in 2018 and expected to involve a spend of \$12 billion by 2022. Though it has innumerable pros, it can also be a trajectory of illicit and unregulated activities. BCT can offer smart solutions to classical governance inefficiencies incorporates more strongly by eliminating the potentiality of corporate frauds and also benefiting institutional investors, shareholders, in-house/outdoor stakeholders and minorities.

- a. BCT is an open (anyone with an internet connection can join the chain), distributed (many can enter into transactions without a centralized intermediary - no authority can either allow or deny access to the chain- the chain is a composite of computers across the world connected to each other on the network directly

or indirectly via an overarching software protocol) , decentralized (no single party can control/influence the chain – it is governed by a set of rules which no party forming part of the chain can violate it or deviate from it) and global ledger/database (transparent data storage capability but with a limited capacity and an expensive archive).

- b. As a BC envelopes and connects a large and unlimited number of computers across the globe, each computer in the chain is termed as 'Node' having same copy of the database. The BC database has two key elements viz.
 - (a) Record – which is information, data, contract, money or almost anything else,
 - (b) – a bundle of records linked to other blocks, creating a chain.
- c. When a record with a transaction is created in the chain, the nodes synchronize between themselves along the entire chain and check those transactions to ensure their validity subsequent to which, the record/transaction is linked to the block, post its threadbare auto validation.
- d. Each block auto creates its own unique finger print known as cryptographic 'hash' through a mathematical 'guess game' known as the 'proof of work' and connects with the hash of its immediately preceding block in the chain with a which is non-tamperable after being added and helps in data tracking and information security.
- e. Hash takes the digital information and generates a unique string containing letters/numbers which is then uniquely associated with the block's transactions. The hash code changes whenever the block is edited in any way thus making it extremely difficult for information on the BC to be changed without getting noticed across the chain.
- f. After a node finds a valid hash for the BC, it broadcasts the solution to the rest of the network which enables other nodes to cross verify that the resulting hash meets the protocol requirements. If the consensus protocol between the nodes proves that the hash is valid, only then the block is added to the chain overwriting the preceding block-a new BC is formed.

WHAT MAKES A BLOCKCHAIN SPECIAL

We all have heard that blockchain is a revolutionary technology. It becomes essential we investigate what makes it so promising.

- i. **Traceability:** Each block resembles a packet consisting of its data, its hash and the hash of previous block as its contents. Every new block added is immutably linked to last block. The chaining of data brings into existence an audit trail making users trace back the data out of a big database with no effort. Data stored in blocks acts as a proof of ownership.
- ii. **Eliminates human intervention:** Transactions being approved by all nodes on the BC eliminates human intervention and resultant manual errors. Single node computational error would only be made on single copy of BC, repetition of it by at least 51% of the nodes can only multiply the error which is a near impossibility in BC.

- iii. **Reduces cost:** Cost for any third-party verification and validation of a transaction as it happens in case of a manual transaction is largely reduced.
- iv. **Time efficient:** BC is operational 24x7 in contrast to any other organisation like a bank, corporate etc. For instance, a cheque deposited in the bank can be processed in a BC instantly with utmost accuracy.
- v. **Permanent Data:** Changing or tempering data, any line, word, or even just a single digit in a block generates a new signature for the block. The latest signature is different from the initial hash stored in its subsequent block. This breaks the chain. The process creates an alarm for altered data to the users. Cautious users would reject this change and move back to the original record. The process makes data permanent immutable.
- vi. **Security:** For an alteration to stay undetected, the hacker will need to tamper all the blocks then redo the proof-of-work for each block till the end of the chain and take control of atleast 51% of peer-to-peer network. Only then tempered block becomes accepted and reflected in respective user's blockchain. Executing this is nearly impossible. As a result, data added can never be changed.
- vii. **Secrecy of user information:** BC user nodes can't access identifying information about a user making a transaction without knowing unique code public and hence, the personal information of the user initiating any transaction will remain unrevealed to any other user in the chain.
- viii. **Decentralised and distributed ledger:** Instead of using a centralized network, this technology operates on a peer-to-peer network, permitting everyone to join the network. Each participant (nodes) joining the network receives a full copy of the data; gets access, verifies and validates the data authenticity. Blockchain constructed on the concept of distributed trust requires duly convinced participants for alterations and additions to the blockchain.

HOW CAN BLOCKCHAIN IMPACT ACCOUNTANCY

We frequently hear the term 'blockchain technology' connected with cryptocurrencies. The use case of its application goes far beyond just trading cryptocurrency, impacting various sectors. Let us solve the puzzle of how blockchain can impact accountancy.

The financial reports prepared using traditional method or the double entry system may lack quality due to various factors like the burden of work done by a single person, lack of professional ability of the accountants, different rules of law applied, lack of principles leading to concealing and misrepresenting financial data etc., Blockchain technology exhibits a shared database, in which a complete data chain is created for each block. Every record in the financial data is linked from the beginning to the end, forming a chain consisting of many organizations in the data chain. Once the recording is made at one end no human being can interfere, making alterations impossible. The person who is recording

the data will be audited on multiple blocks once the data is entered successfully ensuring the authenticity of the financial information with high quality supervision.

Blockchain refers to the reporting and recording of monetary transactions; through the medium of creating a decentralized ledger. Permanent and immutable recording of transactions along with real-time access by users; demonstrate an immense impact on accounting. It allows for:

- i. Security and reliability
 - ii. Consolidated book keeping and real-time access
 - iii. Privacy of accessibility of digital data
 - iv. Smart contracts
 - v. Efficiency in auditing
- i. **Security and Reliability** - Transparency and immutability are necessary to avoid manipulation, fraud and offer trusted record-keeping by the accounting industry. Traditionally, storing data in a centralized server makes it effortless for hackers to access. The resultant makes data vulnerable instigating loss and play of valuable information. Born with the talent to store dossier in a distributed manner at multiple nodes cause back up of data. The consensus mechanism acts as a defence for misrepresentation, tampering, and sew-up security.

Further, the timestamp feature acts as a digital waxed seal. It contributes to wipe-out backdating; ensure data stored are accurate, authentic, and chronological. It eliminates the chances of any duplication of transactions or fraudulent activity.

- ii. **Consolidated bookkeeping and real-time access** - Blocks are digital custodians of data. Bringing to play this speciality of Blockchain gives the power to build a robust database by storing different types of information, maintaining its identity and individuality. Pieces of information stretch from the ledger to transactions, contracts, agreements, purchase orders, invoices, authorizations, and reports. Blockchain stores all these in one consolidated place but distributed to every participant making it easily accessible and impossible to mess around with by any user with wrong objectives.

Data stored in blocks acts a proof of ownership. Transaction history pins down each participant's rights and obligations; these are immutable. It behaves like a registry of who owns what and who transacts what.

Its architecture permits a company to share its valuable records with other participants (nodes). A variety of participants, not limited to its employees, departments, suppliers, clients, banks, government authorities, shareholders, or the auditing company, get mileage out of the company data. The realtime element assures each participant that the data shared is dependable, not inflated, dubious, or of an older version. Hence, providing an actual picture of the company's operations, liquidity, profitability, solvency, and risks at any point in time.

- iii. **Privacy of accessibility of digital data** - Blockchain in a private permissioned architecture works in a network



of known and identified participants rather than an open network of unknown participants. Permissions to assign 'who can see what' within a distributed ledger is built by putting cryptography to work. Plugging technology into accounting bears positive implications. The technology improves the efficiency of money, asset, and data transactions by addressing privacy and security.

We can understand more clearly with the help of the below use cases of financial data.

- Company management (managing director, CEO, and CFO) retains full access to all accounting data to make business plans and take decisions.
 - Company departments have limited access depending on their functional requirements. The warehouse department deals with stock. They would see the stock records, tracking inventory forecasts and supply, and material inward/outward entries. The human resource department deals with the workforce, would have access to information about employees. Smart contracts could monitor the working hours or holidays; automate the generation of payslips.
 - External stakeholders such as shareholders would have access to financial statements, analytical information, and trends, using procedures like data analytics, which would lead to better-informed decisions.
 - The government agencies would have access to data such as revenue, purchases, payable and receivable accounts, and tax filings could become automated.
 - The Companies auditor would enjoy full access to ensure transactions are according to accounting standards and accounting principles.
- iv. **Smarts Contracts**- One of the significant developments of Blockchain Technology are Smart Contracts. These are self-executing; they handle everything from execution, management, performance, payment, and the recording of transactions. The occurring of an event automatically triggers another event mentioned in the contract.

Smart contracts are terms of an agreement stored as code. They are masters in compliance with the contract terms

that reduce any doubts or ambiguity in many situations. Participants benefit by automating tasks that traditionally occur manually through a third-party intermediary. The technology described above is an expert in speeding up business processes, executing complex transactions like an exchange of money, property, shares, or any asset, thus improving cost efficiency.

The simplest example to imagine, transfer of money to an overseas client on the delivery of goods. Traditionally, the barter materializes by a third-party intermediary. Taking advantage of Blockchain technology; reduces the number of intermediaries (e.g., banks) who settle the event manually.

It self-executes the entire process from identifying trigger transactions and participants through clearing, settling, and record-keeping. The automated process makes settlements more efficient, faster, and cheaper by reducing high commissions and transfer charges.

Let us make sense with another example. Two parties may join to run a smart contract to kick off a derivative contract to hedge the price of an item X at the end of a year. Participants decide the contract terms, collect hedged funds, and tie in with Blockchain. At yearend, the smart contract would execute the terms. It would start from gathering the price of item X from a dependable source, defined in the smart contract, then compute the settlement amount, and end by transfer funds.

- v. **Efficiency in Auditing** -Current auditing practice is costly, laborious, and time consuming. Blockchain works over the performance and productivity of the external audit. It amends the way auditors would trust the auditee functioning and management.

Blockchain provides the auditor a whole story of the client's business. Thus, the auditor can address crucial points pumping up labour and cost-efficiency. Thrown in together, they allow zoom-in their time and energy on designing procedures on risky, complex elements and internal controls and shun away from manual data extraction or screening and analysis of repetitive transactions.

Blockchain teamed up with the AI procedures would profit auditors by gaining command over transactional analysis and material queries.

Blockchain with a programmable personality could greet the auditors with variegated modus operandi. The auditors could shoot to advise management on risks and controls of Blockchain blueprint functioning and processing. They could also land becoming a validator of bonafide participator to access the Blockchain. No doubt, with the use of Blockchain, the audit process and procedure may become more continuous, real-time, effective, and efficient. Still, an auditor's professional judgment needs to be applied to analyse accounting estimates and assumptions used by management in preparing financial statements.

Blockchain souls a storehouse. Readily available encrypted and secured data allow auditors to complete the audit within the stipulated time and refines the quality of financial reporting. Real-time access to the data via read-only nodes enables them to obtain all required audit information in a consistent and standardized format.

The footmarks of the consensus characteristic aids minimize the need for confirmations or reconciliations. Distributed trust rubs out duplication and intentional omission of data entry.

It improves transparency in asset tracking and skilfully deals with the misappropriation of assets. This hallmark of Blockchain turns out good enough to provide comfort on the existence/rights and obligations assertion and certify the completeness of data. False transactions, collusion, bogus and unauthorized entries, and accounting fraud are the main reasons for material misstatement and fraud. The timestamp feature produces a stable audit trail making it impossible to backdate records or tamper data. It retains a permanent record of data for the auditing unit, assuring true and fair presentation and disclosure of financial statements.

Auditors work in a diverse and dynamic environment. Blockchain with a programmable personality could greet the auditors with variegated modus operandi. The auditors could shoot to advise management on risks and controls of Blockchain blueprint functioning and processing. They could also land becoming a validator of bonafide participator to access the Blockchain. No doubt, with the use of Blockchain, the audit process and procedure may become more continuous, real-time, effective, and efficient. Still, an auditor's professional judgment needs to be applied to analyse accounting estimates and assumptions used by management in preparing financial statements. Further, automated

processes; demand the auditor to evaluate and test internal controls to maintain the integrity of the financial information.

EXPLORING EXISTING BLOCKCHAIN DEVELOPMENTS

Having understood the vast impact Blockchain can provide on the accountancy profession, it would be unjustified to overlook the recent real-world applications developments which have aided and simplified accounting activities. Let us unfold the evolutionary outcomes against the variety of roles the technology plays.

Remittances, payment system, and bank guarantee – The master has given into existence a new virtual currency which speeds up and simplifies the cross-border payments by reducing the middlemen. Some applications which assist in this role are

- **We.trade:** an IBM product has the expertise to make cross-border trade easier. Leading banks of Europe have joined hands to raise global remittances and payment processes. The We.trade Blockchain platform reduces conflicts and improves the trading process for participating companies, creating trust for global trade. It has simple trading options and standard rules which decrease risk and increase trading opportunities for banks and SMEs.
- **ABRA:** is a cryptocurrency wallet. It enables buying, trading, borrowing, and earning interest on cryptocurrencies. It helps to track the balance in different currencies.
- **Bitpesa:** is a Blockchain payments start-up and digital foreign exchange. It focuses on simplifying and polishing payments to and from African markets.
- **Circle:** builds a treasury infrastructure effectively for smoother global payments, pay-outs, and high-yield digital dollar accounts built on USD coin (USDC).
- **Lygon:** Blockchain platform is first-of-a-kind to digitize and transform the bank guarantee process for both financial and performance guarantees. It enables applicants, issuers, and beneficiaries for paperless, standardized, secure, and safe management legally binding guarantees.

DERIVATIVE AND TRADING–

There has been revolution in the process, transparency, and complexity of derivative contracts by providing real-time information on a decentralized distributed network. With proper regulations and controls, trading and short-term investment avenues have been opened. Some applications which assist in this role are:

- **Chain analysis:** These are builds tools to help financial institutions and governments to understand, monitor, and comply with regulatory guidance of cryptocurrencies. It has an Investigating nature that detects fraudulent trading, monitors laundering and violations of compliances, and builds trust.

Blockchain- Its Impact on Accountancy

- **Chain:** Using sequence a cloud Blockchain infrastructure provides for building safe and efficient financial services. It manages financial assets in token format and transfers them across public networks.
- **Supplier/customer KYC Management** – The technology helps build and retain the reliability of suppliers and customers. It serves to identify the parties to the contract are reputable, qualified, and with no fraudulent background. Some applications which assist in this role are:
 - **Trust Your Supplier:** is an IBM Blockchain-based solution for identifying, onboarding, and managing qualified suppliers.
 - **KYC-Chain:** provides services of individual and corporate KYC. They help in document identification, ID verification, and crypto funds screening. Thus, provides a check on customer and supplier identities

Supply Chain Management- The technology improves the tracking of the origin of manufactured goods from the stage of production to retail destinations, as a result boosting transparency and traceability for everyone in the chain curbing fraud and cheating. It aids in efficient inventory management by enabling accessibility of realtime inventory records by everyone in the network namely, supplies, distributors, or even retailers, thereby eliminating confusion, tampering, and excessive pricing and hoarding of goods. Blockchain enables digitally secure payment automatically on satisfying the credit terms and conditions.

An applications which assist in this role is TradeLens, which is an IBM Blockchain that works on a permissioned network and serves as a digital shipment freight management tool. It provides real-time transport insight, quick access to immutable documents, reduces the cost, and improving security.

Warranty Management - Blockchain manages false claims, misunderstandings, and fake products by bringing a better customer experience. The company also benefits from using Blockchain for the reconciliation of invoices and resolution of the dispute. An application in this regard is Pega which provides warranty solutions with faster and easy tracking of authentic transactions and claims settlements.

Taxation and Risk Management – Blockchain assists in early identification of risk and fraud and makes the audit and taxation process more continuous, real-time, effective, and efficient. There are different applications that have been developed to assist in taxation and risk management by some of the leading accounting firms.


DRIVING BETTER GOVERNANCE AND ELIMINATING FRAUDS WITH BCT

- a) BCT can offer smart solutions to classical governance inefficiencies incorporates especially in the relationship between shareholders and the management.
- b) Corporate annual general meetings, and mundane annual rituals filled with procedural flaws can be automated and mechanized thus, reducing shareholder voting costs substantially and increasing voting transparency and enhance voter verification mechanism.

- c) Under the agency system, broadly the management structure consists of numerous fractional owners with diversified mind sets, leaving the decision to the mercy of conflicts and its resolution by when, the decision itself has lost its significance. BCT can also increase the decision making speed by facilitating faster and efficient involvement of shareholders.
- d) The terms and conditions of a contractual agreement are recorded in the BCT and hence cannot be amended thereby removing the possibility of any one party hell-bent to renegotiate the contract for a minuscule purpose.
- e) Transparency and trust together form the warp and web of corporate governance as the utility of BCT eliminates opacity and establishes more transparency and trust between shareholders, especially the minorities and board members.
- f) Entrepreneurs are weighing the suitability of BCT for recording ownership of assets, stocks, bonds, real estates, automobile titles, valuable artifacts belonging to a company.
- g) Governments are also weighing the possibility of introducing BCT in generation and archival of transparent public records like real estate titles, birth certificates, driver's licenses, university degrees which cannot be tampered by any means.
- h) BCT being 'consensus and transparent', eliminates the probability of collusion, frauds, divergence in agreement about governance and reduces 'dominance of one on all' leading to misconduct by the 'one'. Deleting / changing transaction records on a BC cannot happen without 'node consensus'.

Additionally, a 'time stamp' on all transactions enables BC members to see the transaction source and ownership thereby enhancing the potent possibility of reducing frauds.

CONCLUSION

Undoubtedly, BCT is a transparent and secured trajectory of a 'public ledger system' but it has its own merits and demerits. Stricter rules and protocols need to be laid down technologically across the chain so that none of the nodes can resort to fiddle or hackle the chain with detrimental agenda fulfillment motive. Blockchain technology seeks to improve the accounting functions by lowering the overheads of maintaining and reconciling ledgers and offering complete transparency on asset ownership and history. The foregoing discussion provides an insight about the concept of blockchain technology, its framework and application in different fields. It focuses on the principle of the triple entry system used in blockchain accounting and discusses the prospects and challenges of shifting to blockchain accounting. It concludes with an understanding that blockchain accounting has the potential to increase transparency and visibility of records that will minimize fraud and increase trust, security, and credibility of the transactions. Company management, accountants, auditors, IT professionals, and start-ups must focus on taking action to put 'theory' into 'practice' and make research and developments. 

Ubiquitous Technology Transformation – Role of Company Secretaries

Like any other profession, our profession of Company Secretaries too faces the challenges arising on account of technological evolution. In this context, one of the noteworthy aspects is that unlike many other professions, our profession has regulatory and statutory challenges which impact the overall professional scope. With the advent of Companies Act, 2013, there has been a remarkable enhancement in scope for the Company Secretaries and thankfully, this trend seems to see a growth trajectory including the recent notification recognizing Company Secretaries for certification under SEBI(ICDR) Regulations. Traditionally, the Company Secretaries were expected to be more compliance oriented and be a point of contact between the Management vis-a-vis various regulatory stakeholders. However, as in any other walk of life, technology is ubiquitous and we as Company Secretaries have to be adept with the changing technological trends.



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“It has become appallingly obvious that our technology has exceeded our humanity.”

-- Albert Einstein

INTRODUCTION

The term ‘technology’ is a necessity in the present-day life. From personal aspects to professional aspects across the spectrum of living, it is very difficult to find something which is not affected by the ever-evolving technology. Essentially, even the professional aspects are impacted by the change in technology, changing the way the professionals operate to creating new avenues on account of such technological changes. This article encapsulates the traditional overview of the role of Company Secretary and the winds of change on technology front in terms of accounting and finance.

TRADITIONAL ROLE – AN OVERVIEW

Statutory responsibilities: Legislatively, the role of Company Secretary is a key profile balancing the responsibility relating to compliance and being an official spokesperson for the Board of Directors. This also encompasses the compliance role including ensuing compliance with the applicable laws and regulations of the Company. He is the custodian of the statutory records

and over a period, the role has metamorphosed into a corporate professional than mere compliance professional. Before the Companies Act, 2013, the Company Secretary had to ensure that the company complies with company law, maintains certain statutory registers and makes the necessary filings with the Registrar of Companies such as annual returns, financial statements and certain forms with respect to changes to share capital etc. However, the role is widened and is inclusive covering various other legal and finance aspects.

Corporate governance: The role of Company Secretary has improved as a governance professional, which is much more than the mere statutory requirements as outlined above. Notably, the responsibility for developing and implementing processes to promote and sustain good corporate governance is now under the remit of the Company Secretary. This is recognised in SEBI regulations including SEBI (Listing Obligations and Disclosure Requirements), and other edicts. Although this is more relevant to listed companies, where board effectiveness is an essential criterion, it is recommended for other corporates to consider the same in so far as they are considered appropriate to their nature and scale.

The dynamics of the boardroom are changing and the Board these days discerns that it needs specialist skills and technical knowledge in this area. They are looking to Company Secretaries to provide this expertise. There are a number of responsibilities, where the company secretary can assist and add value.

Organisational governance: It is important that robust governance arrangements are in place, are clearly documented and communicated to the organisation. The position of the Company Secretary enables them to have a holistic view of the governance framework and as a result they are generally tasked with the responsibility of ensuring that this framework and any supporting policies and procedures are clearly documented.

Board procedures: The Company Secretary plays a leading role in good governance by assisting the Board and its committees to function effectively and in accordance

Ubiquitous Technology Transformation – Role of Company Secretaries

with their terms of reference and best practices within the spectrum of statutory provisions. Such support includes *inter alia* scheduling meetings to proactively managing the agenda, ensuring the presentation of dependable and accurate information for appropriate decision making. This kind of information support enables the directors to contribute fully in board discussions and to take meaningful decisions.

Board development: The Company Secretary shall nurture and build effective working relationships with all board members, offering suggestions and recommendations, as needed in the best interests of the company. In promoting board development, the Company Secretary should assist the chairman with all development processes including board evaluation, induction and training. This process involves implementing a rigorous annual Board, committee and individual director assessment and ensuring actions arising from the reviews are completed. Further, the Company Secretary should take the lead in developing tailored induction plans for new directors and devising a training plan for individual directors and the Board. Although these tasks are ultimately the responsibility of the chairman, the Company Secretary can add value by fulfilling, or procuring the fulfilment of, these best practice governance requirements on behalf of the chairman.

Communication with stakeholders: The Company Secretary is a unique interface between the Board and management. Through effective communication they can coach management to understanding the expectations of, and value brought by the Board. The Company Secretary also has an important role in communicating with external stakeholders, such as regulators, investors, and is often the first point of contact for queries. The Company Secretary should work closely with the chairman and the Board to ensure that cordial shareholder relations are maintained.

Disclosure and reporting: Over the past few years, there has been enhanced focus on the quality of corporate governance reporting and calls for increased transparency. The Company Secretary usually has the complete responsibility of the communications with various stakeholders including filings with the regulators, annual reports, etc. Hence, the Company Secretary has a key role to play in the disclosure and reporting aspects of a corporate.

TECHNOLOGICAL CHANGES – NEW AVENUES

As Company Secretaries, we understand the language of law than anything else easily. However, being so near to the decision makers it is all the more necessary for the Company Secretary to understand the language of business – i.e., Accounting. That language has undergone many changes over ages, and has become more sophisticated and detailed over a period of time. The understanding of technology is commensurate with the professional's ability to analyze statistical values. Technology advancements have enhanced the professional's ability to interpret data



efficiently and effectively. They now have the ability to interpret the language of business with such ease that the accountant has become a corporate's most trusted business advisor. Who else can be a better advisor to the Management than a Company Secretary, who, coupled with knowledge and understanding of the finance matters will be a one-stop solution for the management inputs. It is pertinent to note that the data is the new oil. The explosion in data that has launched the Fourth Industrial Revolution, an era when business will be transformed by cyber-physical systems, has enabled several technology trends to develop. Every business can leverage these important trends and should pay attention to how best to use them, but professionals should really evaluate how technology can be used strategically to achieve the company's business strategy. The following are some of the key trends in the finance and accounting world, the understanding of which will go a long way for the Company

The understanding of technology is commensurate with the professional's ability to analyze statistical values. Technology advancements have enhanced the professional's ability to interpret data efficiently and effectively. They now have the ability to interpret the language of business with such ease that the accountant has become a corporate's most trusted business advisor. Who else can be a better advisor to the Management than a Company Secretary, who, coupled with knowledge and understanding of the finance matters will be a one-stop solution for the management inputs.

Secretary.

Artificial Intelligence (AI): Across industries there's consensus that AI can and will have a significant impact on finance and accounting. Companies are using AI and robotic process automation (RPA) to automate mundane, highly repeatable tasks, allowing accountants to focus their time on higher impact and higher value activities. For example, various firms have applied AI to the analysis of lease contracts to make it easier to capture information quickly on commencement date, amount to be paid, termination or renewal options and allow the finance professional to spend more time on making decisions with the data instead of looking for it.

Accounting Software: For RPA to be successful, transactional data needs to be standardized and merged from multiple sources in multiple formats, also known as harmonizing. Harmonization can involve bringing together structured, semi-structured and unstructured data within a single system. AI needs vast amounts of data to be effective. And above all, the outputs of all enabling technologies need to be trusted by the professionals and the relevance of an accounting software. Enterprise resource planning (ERP) system integrates the accounting software and the financial data with other important areas of business, such as supply chain, order and production management. An integrated ERP platform consolidates data from these different areas to give more actionable insight into your business.

Data Analytics and Forecasting Tools: Considering the changing business dynamics, use of budgeting, forecasting and planning are equally important for all businesses irrespective of the size of operations. With reference to such aspects of budgeting and forecasting, data analytics and visualization tools are very relevant. Finance functions are becoming significantly more analytical – and technology will help push the accounting and finance department from reactionary and transactional to proactive and analytical. Accordingly, there is an increase in demand for analytical and tech-savvy professionals, which can provide professional opportunities for Company Secretaries.

Digital Transformation: Faster than perhaps ever before, organizations are transforming how they do business with the aid of digital technology – and accounting and finance teams have been the core of it. They have put processes in place to account for new revenue from subscription models, new channels, new physical and digital product offerings and more. One of the most pressing accounting challenges is leveraging technology to support the business strategy and adapt to changing conditions.

Workplace Wellness: In the present world, characterized by COVID impact and Work from home features, workplace wellness programmes continue to be a popular perk provided by employers but managing these programmes can be complex for accountants. This opens up a new

area for both accounting and compliance including the taxation aspects involved therein as also a new sphere of opportunities for the professionals.

Online Collaboration and Remote Workforce: Specifically useful with the trend of remote working, cloud-based software allows teams that are physically dispersed to collaborate and accomplish critical financial processes, such as month-end close from anywhere with a computer and an internet connection. Accounting will need collaboration tools, such as Zoom, for and functional collaboration tools for e-signature and cloud-based file sharing. This is a very novel feature and is more relevant and useful in these pandemic times.

Data Security: Data breaches are a bigger risk than ever, and finance departments are one of the leading targets. The breaches can lead to identity theft, or the stealing of personal data and credit card information, and spoofing, which is when an email is disguised to appear to come from a known and trustworthy source. Training in recognizing potentially harmful emails and spotting attacks will continue to be crucial for accounting teams, who are already skilled in looking at the details and spotting anomalies. The accounting team can share the importance and become champions of cybersecurity for the organization.

Cloud Based Accounting: The cloud is becoming a popular place for accounting services. With cloud-based accounting systems, companies and firms are able to have access to their system anytime—something that bodes well for teams that have shifted to a remote work setup since the COVID-19 pandemic began. Data access also includes tracking inventory, sales and expenses. Moreover, cloud-based solutions allow for the creation of workflows, saving businesses valuable time. Having such benefits is driving businesses to make the shift to cloud-based accounting systems. This could be related to the rise in the demand for advanced technological solutions from various industries. Among them is the accounting industry, which is taking a major leap for more effective and comprehensive financial reporting and analytics.

Block Chain Accounting: The accounting industry needs to understand blockchain technology more and for good reasons. Blockchain is already changing the accounting sector by lowering the costs of reconciling and maintaining ledgers. It also provides the needed accuracy in terms of ownership and history of assets. With blockchain technology, accountants gain a more unobstructed view of their organization's obligations and available resources. So, it comes as no surprise that a significant number of blockchain wallets are created monthly, a chunk of which belong to companies. In fact, firms in the US are estimated to spend \$1.1 billion on blockchain technologies by the end of 2022, according to data published by Statista (Statista, 2020).

The Big Four in the accounting industry join the blockchain

The accounting industry needs to understand blockchain technology more and for good reasons. Blockchain is already changing the accounting sector by lowering the costs of reconciling and maintaining ledgers. It also provides the needed accuracy in terms of ownership and history of assets. With blockchain technology, accountants gain a more unobstructed view of their organization's obligations and available resources.

trend by having people work in distributed ledger laboratories. This is in the hope that immutable distributed ledgers will become a reality. In that case, their audit and accounting divisions will most likely become obsolete.

ROLE OF COMPANY SECRETARIES

Statutory and Regulatory Compliance: In addition to changes in taxes, accounting and finance teams need to be cognizant of shifting statutory and regulatory changes. Monitor, track and account for regulatory changes and ensure the systems are designed to reflect the changes in law! With the rapid changes in the laws and regulations, Company Secretaries will have increased opportunities for practice.

Outsourcing: Organizations of all sizes may find some benefit in outsourcing some or all of their finance and accounting functions. It has become the mantra of the day – whichever activities can be outsourced; they should be given off to enhance efficiency in other processes. Smaller companies outsource accounting to avoid hiring additional headcount. Larger firms may outsource some or all of their accounts payable, this is generally done to save money. Additionally, outsourcing can sometimes provide access to skillsets, technology and expertise the company would not easily or affordably replicate by hiring new headcount and investing in infrastructure. With such kind of avenues, Practising Company Secretaries can evaluate to have outsourcing set up for specialized skill aspects.

Environmental, Social and Corporate Governance (ESG): ESG will be in sharp focus for the corporates, and it is widely expected that there will be new regulations pertaining to the areas within it – especially as it relates to financial disclosures for public companies. These disclosures are likely to include mandated disclosure of climate-related financial risks and greenhouse-gas emissions in operations, as well as supply chains. Additionally, major investors are calling for increased

diversity, which affects all areas of business, including finance and accounting. Professional trade organizations are aiming to help accountants prepare.

Accounting Standards: With new technological environment and accounting trends, there will be new accounting standards which will come into vogue. As signatory to the financial statements, it is essential for the Company Secretaries to understand the various accounting standards and their impact. It is more relevant from the perspective of a Compliance Officer, as the compliance with laws and regulations will also get entwined in its fold.

Evolution of a New Role: In the future for accounting, more transactional work will become automated, and professionals will increasingly need the so-called soft skills, leadership and other traits associated with emotional intelligence. These skills, paired with training to leverage insight from data analysis and the financial expertise, are what will make for successful careers in the future.

Information Technology (IT) Governance: Many doors have opened for professionals, who are proficient in compliances including systems compliances. Because information technology takes a major part of running a successful organization the IT department needs to be managed. This manager needs to oversee that the information technologies support the organizations' strategies and objectives. The organizations' IT systems must be ahead of the competition, they must be financially responsible to the organization, they must be secure with a backup plan for failure and they must be in compliance with effective controls. IT governance is a key aspect in the technology transformation and professionals like Company Secretaries make a value contribution to such scope.

CONCLUSION

The new technological trends bring in their ambit, an enhanced scope for professionals. Especially, this has been also recognized by various regulators in the statutory provisions, for example use of technology in conducting board and other meetings has become a distinguisher for compliance in the present pandemic world. Also, it is pertinent to note the regulatory effort in identifying and addressing the conspicuous aspects in the technological advancements like recording of audit logs, maintenance of back-ups on software located in India. Thus, the new trends in accounting and finance, bring in plethora of opportunities for Company Secretaries as well. However, robust understanding of these technologies and trading with caution will go a long way for the profession.

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Digital Transformation: “Impact of Digital Payments and Neo-Banks on Financial Inclusion in India and its interplay with Data Protection and Cyber Security Regulations”

Digital Payment and Neo Banks (online financial technology companies-fintech companies) are emerging as the future of the banking system in India. The Government is promoting digital payments and neo banks through various measures as these mediums can boost the financial inclusion tremendously resulting into an enormous growth potential for the banking sector. FinTech is rapidly changing the face of the banking industry, as several banks are now switching to digitization as well as paperless and cashless processes. However, the regulatory system is not developed in India, thereby posing a hurdle for financial inclusion in its entirety due to the lack of digital data protection. There is an emergent requirement for adequate data protection and cyber security compliance as these fintech entities rely on digitally collected data; However, the Indian legal system in relation to data protection and cyber security is yet to match pace with the growth of technology in recent times. The purpose of this paper is to analyse the impact of digital payments and neo banks on financial inclusion with a focus on concerns, laws and regulations regarding data protection and cyber security and the Digital Workforce of the future.



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INTRODUCTION

The Indian FinTech industry has been bristling with activity over the past few years. The gradual shift towards digitalisation in India has fuelled the growth of financial technologies (“**fintechs**”)¹ that help to set up a buoyant alternative credit mechanism. The term FinTech was first coined in the 21st century to describe the technology used in the back-end systems of established financial organizations. The winds of change in this industry are being driven by advancements in technologies like automation, data science, AI/ML, smartphones, and telecommunication which are ushering in a new era in of FinTech players who are on one hand usurping business from traditional players while also collaborating with them to expand the market in other areas. On the other hand, the pandemic while being transitorily disruptive, has provided a fillip towards digitalization of financial services. Consumers are eager to adopt digital, contactless, and remote services.

Today, however, FinTech spans various sectors and industries, including education, retail banking, non-profit

fundraising, investment management, and much more. Through specialized software and algorithms, FinTech helps companies, business owners, and consumers manage their financial operations and processes. FinTech has also come to include the development and use of cryptocurrencies like Bitcoin in today’s times. Although different sectors of FinTech continue gaining traction today, a large part of FinTech still focuses on the traditional global banking industry. And India is at the forefront of this FinTech revolution. Due to the rapid growth of use of smartphones in India, availing digital services has become the norm of our life. This has led to an enormous growth of the fintech sector in India and at the same time promoted financial inclusion. India has witnessed 2.7 billion dollars of Fintech investment last year.

Digital payment and neo banks also come within the umbrella of fintech. Since the fintechs work online, there is a low operational cost and a wider reach in comparison to a traditional setup requiring brick-and-mortar infrastructure.

Any financial system has few risks associated with it and so is the case with fintechs Cyber security is the biggest challenge for Fintech businesses. The risk of information leakage, malware, security break, cloud-based security risk, phishing, and identity threat is making the Fintech businesses helpless at some point or others. For instance, digital payments generally involve three parties, i.e., source bank, payment system platform and customer, hence the customer shares significant sensitive personal information with the other two parties involved in the transaction, posing trust on the other two parties that not only the transaction is secured but also his/her personal data is safe with the other two participants. If any of the parties (other than the customer) fails to maintain adequate security in relation to the transaction concerned or the data shared with them, the customer may suffer significant loss and damage. It may also be noted that since there is a significant degree of online verification, there are a host of permissions and accesses granted by the customer

Digital Transformation: “Impact of Digital Payments and Neo-Banks on Financial Inclusion in India and its interplay with Data Protection and Cyber Security Regulations”

to these digital payment platforms, which interalia involve, reading customer’s messages, using microphone and camera of the customer, access their photo gallery etc. As the online mechanism has associated potential cyber security and data protection risks, there are a host of regulations and guidelines to ensure that the cyber security and data protection issues are taken care of while interacting with such digital platforms.

DIGITAL LENDING AND NEO BANKS

India’s digital lending market has grown tremendously in the past few years to serve the large financing gap across retail and MSME, particularly for thin file customers. Digital lenders leveraging alternate data, automation, and cost advantages have been able to make forays into these segments and have helped the underserved get access to credit. Much of this growth has come about through new innovative lending models. The Indian digital lending landscape is replete with innovative FinTech products that cater to a particular subsegment of customers or provide a new method of distribution, underwriting, or servicing.

The Government of India has been taking several measures to promote and encourage digital payments in the country. As part of the ‘Digital India’ campaign, the government aims to create a ‘digitally empowered’ economy that is ‘Faceless, Paperless, Cashless’. There are various types and modes of digital payments. Some of these include the use of debit/credit cards, internet banking, mobile wallets, digital payment apps, Unified Payments Interface (UPI) service, Unstructured Supplementary Service Data (USSD), Bank prepaid cards, mobile banking, etc. The RBI Ombudsman Scheme for Digital Payments defines a digital transaction as a payment transaction in a seamless system effected without the need for cash at least in one of the two legs, if not in both. This includes transactions made through digital/electronic modes wherein both the originator and the beneficiary use digital/electronic medium to send or receive money.

Neo banks are types of digital bank except that in neo banks the entity is exclusively an online entity. Neo-banks are online-only financial technology (fintech) companies that operate solely digitally or via mobile apps. Simply put, neo-banks are digital banks without any physical branches. Neo banks may also have their specific target customer base. The global neo-banking market size is expected to reach \$333.4 billion by 2026, rising at a compounded annual growth rate (CAGR) of 47.1 per cent.

Globally, there are three Neo banking models:

- Neo banks that have full or restricted virtual banking licenses that regulate and enables them
- Digital-only direct offerings of traditional banks to counter emerging virtual banks and tap into digital adoption
- Neo banks that do not have virtual -banking or e-money license and operate in partnership with traditional banks in the country

NEO BANK LANDSCAPE IN INDIA

Although neo-banks are relatively new concept in India, the concept has been gaining traction over the last few years.



In India, the current regulatory landscape allows only a partnership route for Neo banking startups. Notably, some banks such as ICICI, RBL, Equitas and IDFC first have built API stacks to capitalize on this partnership opportunity. There are around a dozen neo-banks in India including Razorpay X, EpiFi, Open, NiYo, Jupiter among others.

The Neo banking players established in India or in the process of establishing can be grouped in two major categories based on their target segments:

- Targeting retail customers. These Indian Neo banks usually focus on:
 - ♦ Products for underserved or ‘New to Banking’(NTB) segment
 - ♦ Providing better and differentiated experience to customers who are already banked
- Targeting MSME and gig-economy segments

Common themes of product offerings in underserved retail customer segments focus on financial inclusion and financial literacy. These offerings typically attract blue-collar workers or millennials and Gen-Z segments, offering them personal finance management services, digitally rich retail banking that includes unique debit and credit card offerings, and insurance services. Standard offerings for MSME segments include features to collect recurring payments, book-keeping, tax, supply chain management, and credits. These MSME-focused players have the opportunity to use the cash flow data for alternative lending.

Thus, it can be concluded that both, neo banks and digital payments, operate digitally and make the most use of internet access and electronic medium such as laptops, tablets and smartphones which are at the disposal of over 500 million internet users. Digital lending provides an opportunity to this significant population to access credit in an affordable manner. Industry leaders say the strong growth in digital lending indicates the huge untapped credit potential in India which can be bridged efficiently through the use of technology.

(25.5 billion real-time payment transactions were processed in the country, followed by 15.7 billion in China and 6 billion in South Korea. By 2025, digital payments in India would collectively account for 71.7 percent of overall payments volume, leaving cash and cheques at just 28.3 percent.)

GOVERNMENT ENHANCING DIGITAL LENDING IN INDIA TO PROMOTE FINANCIAL INCLUSION

“By making financial services accessible at affordable costs to all individuals and businesses, irrespective of net worth and size, financial inclusion strives to address and offer solutions to the constraints that exclude people from participating in the financial sector. Research shows that countries with deeper levels of financial inclusion – defined as access to affordable, appropriate financial services – have stronger GDP growth rates and lower income inequality.”

The government and regulators are one of the key catalysts for the growth of the FinTech sector in India. Few of the government programs that have played a key role in propping up FinTech are; Jan Dhan Yojana, Startup India, license for payments banks, Digital India program, recognition of P2P lenders as NBFCs, regulatory sandboxes by RBI, and IRDAI for FinTechs, and National Common Mobility Card (NCMC). The robust public digital infrastructure (Aadhar, UPI, account aggregation, GST, OCEN etc.) and related supportive regulatory environment has helped power India's FinTech innovations. This has been furthered by the Unified Payments Interface (UPI) which has witnessed extraordinary adoption. UPI recorded over 4.2 billion transactions worth over ₹ 7.7 trillion in just October 2021. The platform approach taken by the government in conceptualizing UPI has resulted in valuable payments products being developed on top of it, as a result of which payments can be made with the click of a mobile phone.

A “whole of India approach” towards financial inclusion has also resulted in Direct Benefit Transfer (DBT) through apps such as PM-KISAN and extending micro-credit facility to street vendors through PM-SVANIDHI apps. Use of advanced technologies and initiatives by the digital medium is gradually resulting in availability of financial services to the bottom of the pyramid segment, at the grass-root levels in India. This sector of population was earlier largely devoid of basic credit and other financial services. This is the reason why financial inclusion through digitalisation has also been an important part of Government of India's pro-growth policy.

Regulators (RBI, IRDAI, and SEBI) have undertaken numerous measures to ensure increased accountability and the uninterrupted availability of secure and affordable digital financial systems. Indeed, financial inclusion has become a viable reality for the citizens of India.

COVID CRISIS HAS PROMOTED NEO BANKS AND DIGITAL PAYMENTS

Shocks of various kinds can drive technological adoption in unanticipated ways. The COVID-19 pandemic has had an economic ripple effect across various sectors including the traditional banking system. This unprecedented situation

has led to the rise of reluctance on the part of the banks to lend. Digital lending has acted as a saviour for the borrowers, satisfying their liquidity requirements. Thus, the popularity of the so-called ‘niche’ neo banks has increased significantly during the COVID-19 pandemic. The virtual, branchless nature of the neo banks at the time of lockdown and social distancing imposed by the government to tackle the medical exigency on account of the pandemic has also added to its wide-scale acceptance.

COVID catalysed the digital transformation of various industries and FinTech's are amongst the many business models that flourished during the pandemic. During the lockdown, ‘Instamojo’, a payment gateway application, introduced ‘InstaCash’ - a short term loan facility. InstaCash enables merchants to avail loans for an amount upto INR 1 lakh for a time period of either 7 or 14 days. Post demonetization, the number of Fintech businesses in India has substantially increased. There is no denying that Fintech is forming the future of next-generation financial solutions, and despite the way that there are a few obstacles that Fintech companies are coming across in the current business landscape, they have certainly a thriving future in India. COVID-19 has provided a tailwind to digital adoption in financial services, and it is unlikely that the newly earned digital user base will roll back after the pandemic situation is completely resolved.

However, digital payments and neo banks have their constraints of appealing to the masses which have inherent dilemmas with respect to the privacy and cyber security aspect of digital payments and neo banks. The customer shares a significant amount of his/her sensitive personal information with the other two parties in the digital payment medium, namely, the source bank and the payment system platform. While entrusting the data, the customer expects that both, the transaction, and his/her personal data will be safe with the other two parties, failure of which can lead to significant loss and damage to be suffered by the customer. This online mechanism has potential cyber security and data protection risks associated with it. Security and privacy implications need to be adequately considered to ensure that the data is protected from cyber-crimes. Therefore, there are a host of regulations and guidelines to ensure that the cyber security and data protection issues are taken care of during the interactions with these digital platforms.

KEY REGULATIONS AND REGULATORY APPROACHES GOVERNING DIGITAL PAYMENTS AND NEO BANKS IN INDIA

There is a lack of a consolidated set of guidelines on digital payments and neo banks. On the digital lending side, the Reserve Bank of India (RBI) has indicated a recent policy move towards increased regulation. A summary of laws, regulations, and guidelines applicable to digital payments and neo banks are provided below:

- The Payment and Settlement Systems Act, 2007 (“PSSA”). It is the principal legislation governing payment systems in India.
- The NPI Guidelines on Unified Payment Interface (“UPI”) which enumerate the procedural guidelines to be followed by UPI platforms.

- Notifications, circulars, and directions in relation to Non-Banking Financial Companies (“NBFCs”) by Reserve Bank of India (“RBI”) (applicable in case a digital platform comes within the category of NBFC, as defined in the RBI Act, 1934).
- The Guidelines on Regulation of Payment Aggregators and Payment Gateways dated 17 March 2020, issued by RBI, apply to the payment intermediaries, namely the payment aggregators and payment gateways.
- The RBI’s Master Direction on KYC provides guidelines on the KYC of customers during risk assessment to tackle cyber security issues.
- The Data privacy and Protection Laws including the Information Technology Act, 2000 and the Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011.
- Besides the aforesaid, the Personal Data Protection Bill, 2019 (“PDP Bill”) is pending before the Parliament of India. The PDP Bill is modelled along the General Data Protection Regulation (“GDPR”) and is inspired by its key principles like purpose limitation, data storage restriction amongst others.

In January 2021, the RBI constituted a Working Group to review digital lending activities by regulated as well as unregulated entities with the objective of forming a regulatory framework for digital lending. Following the submission of the Working Group’s recommendations to the RBI, it is likely that the digital lending sector will see greater regulation. In order to combat the above failings, RBI must consider direct regulatory overseeing of nascent sector. In 2019, it had introduced a new regulatory sandbox for testing new financial technologies. Similar regulatory sandbox should be introduced for neo-banks considering their potential to accelerate financial inclusion of the masses.

DATA PROTECTION AND CYBER SECURITY FOR ADDRESSING PRIVACY CONCERNS

The Constitution of India does not list the right to privacy as a fundamental right. However, this right is granted to the citizens of India basis the interpretation taken by the Indian Supreme Court in 2017 in the landmark judgment of **Justice K. S. Puttaswamy (Retd.) and Anr. v. Union of India And Ors.** Herein, the Hon’ble Supreme Court primarily interpreted Article 21 of the Constitution viz. the fundamental right to life of Indian citizens as being inclusive of the right to privacy and inter-alia, the right to protection of citizens data and informational privacy. The PDP Bill was tabled in the Indian Parliament by the Ministry of Electronics and Information Technology (“**Ministry**”) on December 11, 2019. On **16 December 2021**, the Joint Parliamentary Committee has published its report along with the finalised Data Protection Bill, 2021. When passed into law, this has the potential to change the way in which data is used by businesses. India does not presently have an omnibus data protection legislation.

In the meanwhile, the Information Technology Act, 2000 (“**IT ACT**”) was **amended** to include S. 43A and S. 72A to protect personal data and sensitive personal data and information (“**SPDI**”). On 11 April 2011, the Government brought into effect

The government and regulators are one of the key catalysts for the growth of the FinTech sector in India. Few of the government programs that have played a key role in propping up FinTech are; Jan Dhan Yojana, Startup India, license for payments banks, Digital India program, recognition of P2P lenders as NBFCs, regulatory sandboxes by RBI, and IRDAI for FinTechs, and National Common Mobility Card (NCMC). The robust public digital infrastructure (Aadhar, UPI, account aggregation, GST, OCEN etc.) and related supportive regulatory environment has helped power India’s FinTech innovations.

the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011 (“**Rules**”) which define SPDI in depth, apply to body corporates or persons located within India and relate to information about natural persons. A bank collecting SPDI has to abide by the Rules for collection, storage and disposal of data. In case a wrongful loss or wrongful gain to any person is caused by the negligence on the part of a body corporate in possessing, dealing, or handling his/her SDPI then such body corporate shall be liable to pay damages by way of compensation to the person affected. As per S. 72A of the IT Act, in case any person including an intermediary, while providing services under a lawful contract, accesses any personal information of a person with an intent to cause wrongful gain or wrongful loss, and discloses such information to any other person without the person’s consent or in breach of the lawful contract, then the penalty imposed shall be of imprisonment up to a term of three years and/or fine which may extend to INR 5 lakh.

However, one had to acknowledge that the Amendment and Rules came into force in the years 2009 and 2011 respectively. The punishments as per the Amendment are trivial in comparison to the potential harm that can be caused. Thus, they are not adept enough to take into consideration the newest cyber security issues concerning neo banks.

Also, the Amendment does not provide for any framework for data localisation, consequently, the Amendment does not make it mandatory for hosting the servers of big data collecting companies like Facebook and Google, locally within India. This leads to a scenario, where suing these big players becomes an impossible dream with merely their marketing subsidiaries within the geographical boundaries of India. This free flow of data outside the country without the person’s consent makes the entire mechanism to safeguard personal data, futile. To tackle this issue, the PDP Bill was introduced to ensure better data protection. One of the stipulations under the PDP Bill

is that SPDI can be transferred outside India provided such data shall continue to be stored in India. Also, as per the PDP Bill, SPDI can be transferred abroad only for processing after obtaining explicit consent from the data principal (the natural person to whom the personal data relates to). At the same time, SPDI can be transferred abroad only if the other jurisdiction has a secured infrastructure to provide adequate protection. This will ensure that there is a positive change in the current scenario of data protection thereby strengthening the mechanism.

Since the PDP Bill classifies all forms of personal financial data as “sensitive personal data”, neo banks should be categorised as “data fiduciaries” (the entity that controls the storage of the data and defines the permitted ways it can be processed). PDP Bill prescribes various obligations for data fiduciaries (including social media intermediaries) on how they shall obtain, deal/process and retain personal data. It makes them accountable for the compliance of the obligations in respect of the processing of personal data undertaken by it or on its behalf. Personal data shall also be collected only to the extent necessary for the purpose of processing. Further, there are stringent penalties prescribed for processing or transferring data in violation of the PDP Bill. The maximum financial penalty for a violation under the PDP Bill has been capped at INR 15 crore. Also, processing of de-identified personal data/re-identification without consent is punishable with imprisonment of up to three (3) years, or fine or both by the Data Protection Authority (DPA). The PDP Bill seeks to establish an appellate tribunal to adjudicate the first appeals against the DPA’s decision, and the second appeal can be filed before the Supreme Court of India.

The latest compliances for data protection in India are imposed under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 (“IT Rules, 2021”) notified on February 25, 2021. The IT Rules, 2021 primarily prohibit and regulate digital media and content on the internet, and the role of intermediaries, including social media intermediaries, in keeping the personal data of their users safe online.

PROSPECTIVE APPLICATION OF THE PDP BILL

The PDP Bill cannot be applied retrospectively. If the Bill is made applicable to the processing of personal data retrospectively, the financial services sector at large would be affected extensively. This is owing to the fact that the explicit requirement of ‘consent’ would not be fulfilled in entirety for obligations fulfilled in the past. In consideration of the above, the applicability of the PDP Bill to ongoing processing activities shall essentially include all retained data of the data principals, since ‘storage of data’ is a subset of processing and banks are under an obligation to retain such data in light of the RBI regulations and other applicable laws. This may lead to a consent fatigue on the part of the customers since continuous and ad-hoc express consents may be required to be obtained from the customers following potential renegotiations of all concluded and effective contracts.

However, there should be efforts by the data fiduciary to ensure that data collection, storage and usage henceforth are compliant with the PDP Bill. Lenders often share customers’ personal data with credit bureaus and other



third parties too. The information about the parties involved should be explained to the customers by the lender. Lenders should also ensure that the data stored is erased after use, anonymised, and also made compliant with the law. These can be difficult due to the enormity of data because there has to be notices provided to customers and reviewing of the activities of the fiduciaries themselves to ensure compliance with privacy laws. However, since the law requires the same and until an alternate form of processing is provided, obtaining proper consent is required to ensure compliance. These factors should be kept in mind by the digital payment platforms and neo banks to ensure compliance.

REGULATORY OVERLAP

The creation of a new Data Protection Authority (DPA) under the Bill, with extravagant powers and the imposition of blanket provisions without adequate consideration of its impact on the financial sector, may lead to a regulatory overlap with the existing bodies that supervise financial entities in the country currently, including the RBI, SEBI, IRDAI, etc. Such regulated entities are required by these sectoral regulators to collect certain personal data as part of their KYC processes and to prevent money laundering or tax evasion.

Such personal data is mandatorily required to be collected under law, so the protections of notice, consent, etc. are implied or meaningless for such processing. Further, since such data is required to be retained so long as the customer relationship exists and for a certain period thereafter under the PMLA Rules, Banking Companies (PPR) Rules, SEBI (LODR) Regulations, KYC norms, IRDAI Guidelines issued by various sectoral regulators, and hence, there is no question of erasure of such personal data.

WORK ECOSYSTEM BEING RESHAPED BY DIGITAL TRANSFORMATION

Both organisations and “Today’s professionals” have redoubled their efforts to match strides with today’s increasingly digital and remote job market. More than 9 in 10 companies in India are merging roles and looking to fill open roles internally.

Technology has reduced the costs of, and need for, much of the traditional back office infrastructure, from paper processing to data centres. Process automation and upgrades to software and IT systems are causing a restructuring of financial institutions and a reduction of full-time employees. Middle-office functions such as reconciliations are increasingly

The creation of a new Data Protection Authority (DPA) under the Bill, with extravagant powers and the imposition of blanket provisions without adequate consideration of its impact on the financial sector, may lead to a regulatory overlap with the existing bodies that supervise financial entities in the country currently, including the RBI, SEBI, IRDAI, etc. Such regulated entities are required by these sectoral regulators to collect certain personal data as part of their KYC processes and to prevent money laundering or tax evasion.

unnecessary. Entire processes, and many of the skills that previously had to be hired, can be replaced with automation or expert systems. This has also given room for third parties to step in, such as cloud service providers. Digital identity (ID) and know your customer (KYC) registries are implemented and can help redefine the onboarding and authentication process that has long required in-person verification at a branch. A majority of industries have increased their proportion of digital talent out of the total amount of talent they hire. This signifies a greater emphasis being placed on equipping the workforce with digital skills. The reality of the skills gap means organisations are looking for talent with a hybrid set of complementary skills. A hybrid skill set also indicates to an employer that this kind of talent will be open to learning, reskilling, and upskilling as per the constantly changing directions of the business.

CONCLUSION

Experts estimate that the total market growth potential for India's digital lending sector between 2021-2023 is approximately USD 820 billion. Therefore, to capitalize on this potential, many investors have infused a lot of capital into digital lending businesses.

Several key drivers that have contributed to this growth include the following:

- Improved mobile and internet penetration
- Regulatory and government policy push towards financial inclusion
- Emergence of low-cost real-time payment methods
- Rising tech-savvy millennial population
- A vocal FinTech community that is driving the innovation agenda
- COVID-19 induced need for contactless means of payments

The Information Technology Act, 2000 despite providing some degree of data protection does not live up to varied kinds of cyber breaches that can take place in the latest times. It is crucial that the PDP Bill is also modified taking into consideration all the loopholes and thereby passed into an act soon so that its authority is established firmly. It is also essential that a specific set of laws on digital payments and neo banks exists to ensure that they have a clear and concise checklist. This shall ensure that these entities deliver their functions but at the same time do not compromise on privacy.

It is essential that the data protection and cyber security laws in India develop in their entirety. Currently, there lacks a consolidated set of guidelines to adhere to. Despite the hindrances, such as the lack of virtual licenses to neo banks in India, digital payments and neo banks have grown steadily in India. Indian regulatory regime does not allow for the granting of virtual banking licenses. RBI, through its 2015 Master Circular on “Mobile Banking Transactions in India – Operative Guidelines for Banks”, has mandated the requirement for digital banking service providers to have some physical presence. As a result, neo-banks can provide banking related services only through outsourcing their banking responsibilities to licensed banking institutions and non-banking financial companies. In many cases, such banks and fintech companies are structured as an outsourcing arrangement where the non-banks verify data for credit requests or undertake the preliminary work for opening current accounts. This arrangement shall be governed by the 2006 RBI Guidelines on “Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks” as well as the 2010 RBI Guidelines on “Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs)”. It is imperative that the RBI facilitates neo banks to operate within the ecosystem of virtual licensing.

To ensure that the digital payment and neo banks grow exponentially in the future, it shall be essential that they bank on secure technology platforms by adhering to a consolidated set of laws provided by the government.

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The Institute of Company Secretaries of India (ICSI), recognizing the need to provide support to its members in developing auditing acumen, techniques and tools and for inculcation of best auditing practices among its members, issued the following Auditing Standards on 6th May, 2019:



**CSAS-1 :
Auditing
Standard
on the
Audit
Engagement**

**CSAS-2 :
Auditing
Standard
on Audit
Process
and
Documentation**



**CSAS-3 :
Auditing
Standard
on
Forming
of
Opinion**

**CSAS-4 :
Auditing
Standard
on
Secretarial
Audit**



Above Standards are mandatory from 1st April, 2021 and will bring substantial impact on the quality of audits performed by Company Secretaries and also bring consistency.

The ICSI has also issued Guidance Notes on CSAS-1 to CSAS-4 to facilitate the stakeholders to understand the Standards in its true spirit.

**Mandatory
w.e.f
1st April,
2021**

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RESEARCH PAPER

Invitation For Research Papers In CS Journal – March 2022 Issue

We, invite Research papers/ Manuscripts to publish in 'Chartered Secretary' with the objective of creating proclivity towards research among its Members both in employment and practice. As research is an integral part of scientific approach towards an issue for arriving at concrete solutions, in view of this it is essential to ensconce the research oriented approach. Further, research is pervasive, i.e. it is not restricted to a particular field. Whether it is engineering, management, law, medicine, etc. without proper research, it is almost next to impossible to ascertain the solution of a problem.

Contributions may be sent on topics like Secretarial Practice, Auditing Standards, Company Law, Mercantile Law, Industrial Law, Labour Relations, Business Administration, Accounting, CG & CSR, Legal Discipline, Digital Transformation & Artificial Intelligence or on any other subject and topic of professional interest.

Participants are requested to send their articles/ research papers with following terms:

- The article/research papers should be original and exclusive for Chartered Secretary.
- It should be ensured that the article has not been/will not be sent elsewhere for publication.
- Article/ research papers should include a concise Title, Abstract name of the author(s) and address.

Members and other readers desirous of contributing research paper may send the same latest by **Saturday, February 19, 2022** at nitin.jain@icsi.edu for considering in the March 2022 issue of Chartered Secretary.

The length of the research paper should ordinarily be between 2,500 - 4,000 words. The research paper should be forwarded in MS Word format.

We look forward to your co-operation in making this initiative of the Institute a success.

Regards,

Team ICSI

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RESEARCH CORNER



■ STUDY OF COVID-19 DISCLOSURES BY NIFTY 50 COMPANIES

Study of COVID-19 Disclosures by Nifty 50 companies

It is important for a listed entity to ensure that all available information about the impact of events on the company and its operations is communicated in a timely and cogent manner to its investors and stakeholders through disclosures to the exchange(s), where the securities of the company has been listed as well as in the Annual Reports. COVID -19 unleashed a lot of commercial pain to all entities and its impact has been of different intensities on different enterprises. In the case of listed companies, they are expected to have made appropriate disclosures in Annual report 2020 relating to impact of COVID-19 on their enterprise. This article is an appraisal of the COVID-19 related disclosures made by the Nifty 50 companies.



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BACKGROUND

The Coronavirus (COVID-19 or 'the virus') which was detected at the end of calendar year 2019 immediately started spreading like wild fire in 2020, with the entire world engulfed by it in a great way. The World Health Organization (WHO) announced a global health emergency in January 2020 and on 11th March, 2020, COVID-19 was declared as a global pandemic. The impact of COVID-19 has not been limited to just human life, but also on businesses, financial markets and social life.

*The views expressed are the personal views of the authors

This article is the outcome of a Research Project done by Mr. Mitulkumar Suthar at NISM. The authors would like to convey their heartfelt thanks to Dr. V R Narasimhan, Dean, NISM for the valuable guidance and insights during the research as well as while finalizing the article.

Considering the COVID-19 impact on the securities and commodity markets arising out of increased volatility and uncertainty in the market, detailed information regarding any kind of material impact on the company's business and its operations will not only assist the investors and connected parties in making informed investment decisions but will also be fundamental for market integrity and functioning. The Securities and Exchange Board of India (SEBI) in its capacity as the regulator of the securities and commodity market in India has been in the forefront in seeking transparency in the form of timely disclosure to stakeholders from listed entities in the wake of COVID-19, when it comes to disclosures of impact.

SEBI's advisory on impact of the crisis cannot therefore be regarded as a vague statement or any attempt at giving general observations or comments which do not convey anything beyond what is any way well-known. The entire idea and objective of the mandatory disclosures as mandated by SEBI is that companies should make granular disclosures in directors' reports, address observations made by the statutory auditors in their reports, financial statements and various disclosures to stock exchanges from time to time, as and when required, that enables the stakeholders to have a clear understanding about how the crisis affects different companies and how these companies have responded or propose to respond.

The COVID-19 pandemic and the resulting lockdown restrictions levied by governments across the world has impacted all business operations. While such a lockdown and disruptions are unforeseen and beyond the control of the entities, such events have the potential to lead to distortions in the market due to the gaps in information available about the operations of a listed entity. Hence, it is important for a listed entity to ensure that all available information about the impact of these events on the company and its operations is communicated in a timely and cogent manner to its investors and stakeholders. Various provisions under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations' / 'LODR') already require listed entities to disclose material events which have a bearing on entity's performance / operations.

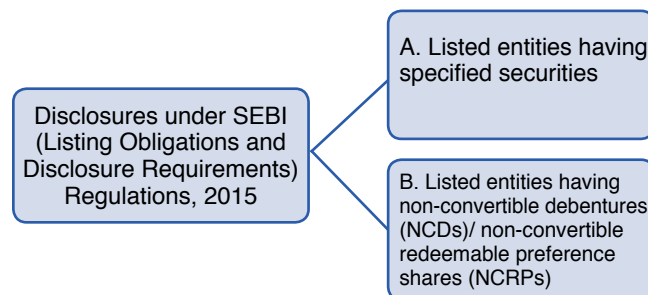
Generally, listed entities around the world have been making disclosures regarding the impact of the COVID-19 pandemic, including that on fiscal condition and results of operations, forthcoming operations, wealth and financial resources, liquidity, assets, supply chain, internal financial control over financial reporting and disclosures, controls and procedures, demand for products/services, etc. Regulators have

encouraged timely reporting as well as complete and accurate disclosure of all impacts, including potential impacts as far as practicable. However, information gaps in the market arising out of selective disclosures or non-disclosures could not be ruled out. It is in this background, SEBI, emphasizing the importance of timely and adequate disclosures to investors and other stakeholders in or outside India, issued an Advisory on disclosure of material impact of COVID-19 pandemic with respect to the listed entities in the form of circular having reference number EBI/HO/CFD/CMD1/CIR/P/2020/84 dated on May 20, 2020 asking all the listed entities to evaluate the impact of COVID-19 on their business, performance and financials, both qualitatively and quantitatively, and disseminated the same to the stock exchange.¹

It is unlikely that major companies have not completed internal assessment of the risks and challenges caused due to COVID-19. However, the spirit of symmetrical information movement to the stock exchanges lies in smoothly rolling out information so that shareholders at large can make informed decisions. The entire idea and objective of the mandatory disclosures is that companies should make granular disclosures in directors' reports, financial statements and various disclosures to stock exchanges from time to time, as and when required, that enables the stakeholders to have a clear understanding about how the crisis affects different

companies and how these companies have responded or propose to respond.

DISCLOSURE REQUIREMENTS PRESCRIBED UNDER SEBI LODR



The requirement of disclosures by the listed entities are presented in Table 1 below in two categories namely

- A. Specified Securities
- B. Non-Convertible Debentures (NCDs)/Non-Convertible Redeemable Preference Shares (NCRPs)

Table 1

Disclosure under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

A. SPECIFIED SECURITIES		B. ENTITIES HAVING NON-CONVERTIBLE DEBENTURES (NCDs)/ NON-CONVERTIBLE REDEEMABLE PREFERENCE SHARES (NCRPs)	
1.	<p>Under Regulation 30 read with Schedule III of the SEBI (LODR) Regulations, 2015: -</p> <p>This Regulation deals with the dissemination of material information to the stock exchanges promptly which shall, in no circumstances, be later than 24 hours of the occurrence of the event. While there are certain information / events listed in Para A of Part A of Schedule III as 'deemed material', that is to say, such events require dissemination on the very moment of its occurrence, on the other hand, Para B provides for some items which can be considered material based on the application of the determining parameters/ criteria provided in sub- regulation (3). The policy framed by the companies usually provides for both qualitative and quantitative criteria for such determination. Disruption of operations of any one or more units or division of a listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts, etc. are some one of the events enlisted under Para B of Schedule III i.e. material events based on application of materiality criteria.</p> <p>Therefore, disclosure of events covered by Para B is required only if the same is considered material after applying the materiality guidelines.</p>	1.	<p>Under Regulation 51(1) read with Part B of Schedule III of the SEBI(LODR) Regulations, 2015: -</p> <p>This Regulation requires prompt dissemination to the stock exchange(s) of all information having bearing on the performance/ operation of the listed entity, price sensitive information or any action that shall affect the payment of interestor dividend.</p> <p>It is to be noted that unlike Part A of Schedule III, disruption of operations due to natural calamity, force majeure etc. is not an item listed in Part B.</p> <p>However, considering that the Regulation requires all information having bearing on the performance/ operation i.e. without any application of materiality guidelines, to be disclosed promptly, the current disruption caused by the COVID-19 pandemic is covered.</p>

¹ https://www.sebi.gov.in/legal/circulars/may-2020/advisory-on-disclosure-of-material-impact-of-covid-19-pandemic-on-listed-entities-under-sebi-listing-obligations-and-disclosure-requirements-regulations-2015_46688.html

2.	<p>SEBI circular dated 9th September 2015 having reference number CIR/CFD/CMD/4/2015: -</p> <p>The aforesaid Circular² provides the requirements for the listed entities, <i>i.e.</i> the details with respect to each of the events to maintain uniformity of disclosures and guidance on the time when an event/ information can be said to have occurred. As regards disruption of operations, the said circular requires disclosure of the details such as, expected quantum of loss/ damage caused at the time of occurrence of the event; actual amount of damage caused due to force majeure event and details of steps taken to restore normalcy and the impact of the event on production or service, financials of the entity regularly, till complete normalcy is restored. Apparently, the said Circular not only requires disclosure at the Time of occurrence but also on a continuous basis till the situation is normalized.</p>	
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Source: Compiled by the authors

An illustrative list of information that listed entities may consider disclosing, subject to the application of materiality (as extracted from the SEBI circular cited above), is given as under:

- a) Impact of the COVID-19 pandemic on the business;
- b) Ability to maintain its operations or a significant part thereof including the factories/units/office spaces functioning and closed down;
- c) Schedule, if any, for restarting the operations;
- d) Steps taken to ensure smooth functioning of operations;
- e) Estimation of the future impact of COVID-19 on its operations and
- f) Details of impact of COVID-19 on listed entity's Capital and financial resources, profitability, liquidity position, ability to service debt and other financing arrangements, assets, internal financial reporting and control.

Moreover, while submitting financial statements as per Regulation 33 of the LODR, listed entities may specify/ include the impact of the COVID-19 pandemic on their financial statements, to the extent possible and when listed entities disclose material information related to the impact of COVID-19, it is expected that they do not resort to selective or cherry-picked disclosures. The listed entities are at all times required to keep in mind the principles governing disclosures and obligations of a listed entity as prescribed in LODR Regulations, more specifically, having regard to the requirements of Regulation 4(2)(e) of the LODR on disclosure and transparency.

SEBI ADVISORY - COVERAGE ON IMPACT

The Advisory issued by SEBI seeks to provide the following important actionable requirements for the listed entities for fair disclosure as per impact:

To evaluate the impact of the pandemic on the business, performance, operation & financials-	To disseminate the following information through stock exchanges	To specify/include the impact of the pandemic on the financial Statements.
1. The evaluation to be made both qualitatively and quantitatively, as per the policy framed by the entities	1. Impact of the pandemic on the business;	1. Going-Concern
2. The person responsible for such determination shall be the person(s) authorized by the Board or as mentioned in the policy;	2. Ability to maintain operations including factories/ units/ office spaces functioning and closed down	2. Inventory
	3. Schedule, if any for restarting the operations	3. Revenue Recognition
	4. Steps taken to ensure smooth functioning of the operations	4. Property, Plant and Equipment (PPE) & Intangible Assets
	5. Estimation of future impact on the operations	5. Employee Benefits
	6. Details of impact on the listed entity's capital and financial resources; profitability; liquidity position; ability to service debt and other financing arrangements; assets; internal financial reporting and control; supply chain demand for its products/services.	6. Investments (other than portfolio investments)

² https://www.sebi.gov.in/legal/circulars/sep-2015/continuous-disclosure-requirements-for-listed-entities-regulation-30-of-securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015_30634.html

	7.	Existing contracts/ agreements where non-fulfillment of the obligations by any party will have a significant impact on the listed entity's business	7.	Borrowing Cost/ Debt repayment
	8.	Any other information as the entity may determine to be relevant and material	8.	Foreign-Currency Translation
	9.		Insurance Claims for business interruption	
	10.		Tax-Considerations	
	11.		Lease term and contracts	
			12.	Impairment assessment

Source: Compiled by the authors

Analysed in this background, it can be inferred that the regulator expects adequate and transparent disclosures on the following 14 matters/aspects:

1. Type of industry does the company belong and it is disclosed
2. All disclosures as required under SEBI circular are given or not
3. Ability to maintain operations including factories/ units/ office spaces functioning and closed down
4. Steps taken to ensure smooth functioning of the operations
5. Estimation of future impact on the operations
6. Details of impact on the listed entity's
7. Capital and financial resources
8. Profitability/Loss
9. Liquidity position
10. Ability to service debt and other financing arrangements
11. Supply chain

Generally listed entities around the world have been making disclosures regarding the impact of the COVID-19 pandemic, including that on fiscal condition and results of operations, forthcoming operations, wealth and financial resources, liquidity, assets, supply chain, internal financial control over financial reporting and disclosures, controls and procedures, demand for products/services, etc. Regulators have encouraged timely reporting as well as complete and accurate disclosure of all impacts, including potential impacts as far as practicable.

12. Demand for its products/services
13. Statutory auditor commented ongoing concern in financial statements and or auditor reports
14. All disclosures as required by the International Organization of Securities Commissions (IOSCO) are given or not which are in line with SEBI Disclosure

The above 14 factors can further be grouped into the following four sets. If the annual report has adequately and transparently reported on the following 4 sets, if not all 14 factors, it can be reasonably inferred that the listed entity has been transparent enough in its disclosures.

Set 1 - Business Continuity Potential:

- Ability to maintain operations including factories/ units/ office spaces functioning and closed down (point 3 of 14 list)
- Steps taken to ensure smooth functioning of the operations (point 4 of 14 list)
- Estimation of future impact on the operations (point 5 of 14 list)

Set 2 - Financial Soundness

- Capital and financial resources (point 7 of 14 list)
- Profitability/Loss (point 8 of 14 list)
- Liquidity position (point 9 of 14 list)

Set 3 - Liquidity resilience

- Ability to service debt and other financing arrangements (point 10 of 14 list)

Set 4 - Statutory auditors view on going concern ability of the company

- Auditor commented on going concern in financial statements and or auditor reports (point 13 of 14 list)

METHODOLOGY

This study is based on the specific procedures or techniques used to identify, select, process, and analyse disclosures in the wake of COVID-19 made in the Annual Reports of Nifty 50 Companies.



Table 1 above has been prepared along the lines of SEBI Circular on disclosure(s) and each of the companies were evaluated after considering the contents of the disclosures made in their Annual report(s) mainly in the chairman speech, Management Discussion and Analysis Reports, Board report and auditor reports for the financial year ended on 31st March, 2020. The evaluation was done with respect to the specified 14 disclosures and based on such evaluation, each company has been graded in this study with respect to each of the disclosure parameters.

In order to assess the quality of disclosures, extent of compliance and transparency, grading method was adapted. Under this method four grades viz.

- No Disclosure (0)
 - Less Disclosure (1)
 - Partial Disclosure (2)
 - Full Disclosure (3)
- Have been defined.

GRADE	ITS MEANING	INTERPRETATION
0	No Disclosure	This grading given to entity (s) indicates that no disclosure in any manner in Annual report is required and it is categorized under the head " <i>No Disclosure</i> "
1	Less Disclosure	This grading given to entity (s) indicates that they had made disclosure with lesser clarity/transparency in Annual report vis-à-vis what is required and it is categorized under the <i>Less Disclosure</i>
2	Partial Disclosure	This grading given to entity (s) indicates that they had made disclosure with partial information in the Annual report vis-à-vis the requirements, so as it is categorized under the <i>Partial Disclosure</i>
3	Full Disclosure	This grading given to entity (s) indicates that they had made very clear disclosure in Annual Report as required and it is considered/ categorized as <i>Full Disclosure</i>

Further, based on an evaluation of the disclosures, the findings are summarised in Table 2 below which categorizes the disclosures into three categories namely

- a) satisfactory level,
- b) below satisfactory level and
- c) unsatisfactory level. (No disclosure and Less disclosures)

For achieving the desired impact, in this article an attempt has been made to classify in specified range of total scores, all the 14 disclosure aspects for each of the Nifty 50 Companies

Table 2 as below, gives for each of the disclosures the Grading level and the Range of Scores derived on the basis of classification as above. A perusal of the table gives an idea about the quality of disclosures made by the Nifty 50 companies on the whole.

Table 2
Grading, its Level, Range and Disclosure matters

Grading	Grading Level	Range of scores (Total 50 Companies and full/highest 3 Score for each disclosure) (i.e. 50 companies*3 is higher grade per disclosure as per this table of grading) = 150 is Maximum score for each disclosure for all 50 companies	Gradation of the Disclosures
1	Satisfactory Level	149 and 150	Disclosures in matter numbers 1, 7, 8 and 14 are fully complied duly by all the Nifty 50 Companies
2	Below Satisfactory Level	140 to 148	Disclosures in matter numbers 2, 3,5 and 12 are partially complied by the Nifty 50 Companies
3	Unsatisfactory Level	100 to 139	Disclosure in matter numbers 4, 6, 9,10, 11 and 13 are not well complied by the Nifty 50 Companies

Source: Compiled by the authors

The following Table 3 summarises the levels of Grading of the Nifty 50 companies: -

Table 3
Summary of Grading levels of Nifty 50 companies

Grading	Levels of Grading	RANGE of total 14 aspects total score for each Company (Total 14 Disclosures and full/highest 3 Score for each disclosure) (i.e. 14*3=42 is Maximum)	No. of companies in grading levels of disclosures
3	Unsatisfactory Level	34 and below	4
2	Below the Satisfactory Level	35-40	25
1	Satisfactory Level	41 and 42	21

Source: Compiled by the authors

The following Table 4 summarises the results of the analysis of transparencies in disclosure for each of the 14 parameters.

Table 4
Parameter wise grading of disclosures and Transparency:-

Disclosures Parameters	No. of companies scoring "Satisfactory Levels" (3 points grading)	No. of companies scoring "Below satisfactory Levels" (2 points grading)	No. of companies scoring "Unsatisfactory Levels" (1 or 0 points grading)	Disclosure wise grading for all Companies
Types of Industry	50	0	0	150
SEBI disclosures	45	4	1	144
Ability to maintain Operations	47	2	1	145
Functioning of Operations	39	11	0	139
Estimation on Impact on Ops	42	7	1	140
Impact details on entities	36	12	2	134
Capital/ Financial Resources	50	0	0	150
Profitability/Loss	49	1	0	149
Liquidity Position	38	8	4	130
Debt vs Financing Arrangements	30	18	2	126
Supply Chain	41	7	2	137
Demand for Products/Services	43	7	0	143
Auditors reports	7	43	0	107
IOSCO Disclosures	50	0	0	150

Source: Compiled by the authors

Given the information gaps in the market, SEBI, highlighting the importance of timely and adequate disclosures to investors and other stakeholders, issued an advisory asking all the listed entities to evaluate the impact of COVID-19 on their business, performance and financials, both qualitatively and quantitatively, and disseminate the same to the stock exchange.

- **Fully Complied (Grading Total 150 and 149)**

Disclosures relating to Type of industry, Capital and financial resources, Profitability/Loss and IOSCO disclosures are fully complied by all the Nifty 50 companies

- **Partially Complied (Grading Total from 140 to 145)**

Disclosures as required under SEBI circular, Ability to maintain operations, functioning and closed down, Estimation of future impact on the operations & Demand for its products/services are partially complied by the Nifty 50 companies

- **Lesser levels of compliance (Grading Total from 107 to 139)**

Disclosures relating to Liquidity Position, Ability to service debt and other financing arrangements, Steps taken to ensure smooth functioning of the operations, Impact details on the listed entity's, Supply chain network, Statutory auditor comments on financial statements/auditor reports are the parameters where levels of compliance by Nifty 50 companies were at a lower level.

CONCLUSION

The impact of COVID-19 on companies is evolving rapidly not only in India but all over the world. In times of increased volatility and uncertainty in the capital market, detailed information regarding any material impact on the company's business will not only assist the investors in making informed investment decisions but will also be fundamental for market integrity and functioning.

Pursuant to the requirements of Listing Regulations, many listed entities have made disclosures, primarily intimating shutdown of operations owing to the pandemic and the resultant lockdowns. However, such probable information may be relatively less relevant and investors are more interested to know where these companies stand today, what are their estimated future impacts, strategies adopted by these companies for addressing the effects of COVID-19, etc.

Given the information gaps in the market, SEBI, highlighting the importance of timely and adequate disclosures to investors and other stakeholders, issued an advisory on May 20, 2020 ('Advisory'), asking all the listed entities to evaluate the impact of COVID-19 on their business, performance and financials, both qualitatively and quantitatively, and disseminate the same to the stock exchange.

This study has focused on ascertaining whether the Nifty 50 companies which are expected to provide a benchmark with respect to governance and disclosures have responded to the advisory issued by SEBI on COVID-19 disclosures in the expected spirit as also identify the gaps in the disclosures which have an impact on the revenues and profitability of these companies due to COVID-19.

The key findings of the study on disclosures by the Nifty 50 companies in the wake of SEBI advisory on disclosure of material impact of COVID-19 pandemic with respect to the listed entities under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, are as under: -

- In terms of quality of disclosure, 42% of Nifty 50 companies (i.e. 21 companies) adhere to "Above satisfactory" levels of disclosures requirements, where as 50% of Nifty 50 companies (i.e. 25 Companies) follow "Satisfactory" levels of disclosures and 8% of Nifty 50 companies (i.e. 4 Companies) follow "Below satisfactory" levels of disclosures as per SEBI LODR regulations, 2015.
- Under SEBI LODR regulations, while generally the Corporate sector has initially provided disclosures relating to shut down of operations owing to pandemic and lockdowns, some companies have provided information related to sanitization and safety works undertaken. Under these circumstances, SEBI issued an advisory in May 2020 to the listed entities to assess the impact of the COVID-19 pandemic on their business, performance and financial results in both qualitative and quantitative manner.
- Impacts of COVID-19 differ from company to company because of the nature of business. Essential services / Health service is unaffected and have seen a rise in revenues whereas the business involving labour has seen a major fall due to manpower shortage and negative impact on production. Certain sectors like IT also has seen rapid progress, because of Work from Home (WFH) approach introduced by companies in the wake of the pandemic. Certain sectors like Auto, Hospitality and other sectors which depended heavily on physical infrastructure and presence could not perform well during the period of study.
- The disclosures made by the directors of the company in the annual report may be considered creditable in



case of listed entity disclosures. Select disclosures in this regard are as follows.

- ◆ Disclosures relating to Type of Industry, Capital and Financial resources, Profitability and disclosure as required by IOSCO are fully complied and disclosed by Nifty 50 companies.
- ◆ All disclosures as required by SEBI circular, Ability to maintain operations, Estimation of future impact on operations, Demand for products/services are partially complied by Nifty 50 companies.
- ◆ Disclosures relating to details of listed entity, Liquidity positions, debt and financial arrangements, statutory auditor comments on ongoing concern in financial statement/auditor reports are generally not properly addressed by the Nifty 50 companies.
- ◆ The study has helped to find out how many companies adhered to good corporate governance, transparency and timeliness in disclosures to its stakeholders.
- ◆ Businesses have faced a crippling effect during the COVID-19 impact and the impact

has been seen in the financial statements of Nifty 50 companies. Labour-oriented and service-oriented business has seen a fall in revenue where as essential services and health care services have seen a rise in revenue.

- ◆ It is observed that, audit report related disclosures are below satisfactory level, as companies have chosen to be silent on this aspect due to ongoing concerns and its business operation in COVID-19.

In light of the effects and uncertainties created by COVID-19, disclosure about shutdowns and safety measures against COVID-19 will not help the investors in making an informed assessment about the company's financial position. Timely and adequate information about company's current operational and financial status with clarity in future plans to address the effects of COVID-19 will better equip the investors to make an investment decision. It is in this context that the Advisory should not be considered as a mere recommendation of SEBI for a transparent communication by the companies, since this is necessary to allow the investors and other stakeholders to evaluate current and expected impact of COVID-19 on company's businesses, financial and operating conditions and future estimated performance.



**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)

3rd February, 2022

Dear Professional Colleague,

Launch of LLP Modules in MCA21-V3 – New way of e-filing

In its attempt to promote ease of doing business and to embrace digital transformation as well as moving forward towards the next stage of the MCA21 V3 platform, the Ministry of Corporate Affairs is launching a new way of e-filing for LLP on MCA21 portal. All LLP filings going forward will be web based. The said application is proposed to be launched on 6th March 2022 at 12:00 AM.

To further facilitate the stakeholders and ensure smooth transition and implementation, the Ministry has rolled out the following advisories for the stakeholders:

- ❖ LLP e-Filings on MCA21 portal will be disabled from 25th Feb 2022 12:00 AM.
- ❖ All stakeholders are advised to ensure that there are no SRNs in pending payment status.
- ❖ Offline payments for LLP using Bank Challan and Pay later option would be stopped from 19th Feb 2022 12:00 AM. Please note that during 19th Feb 2022 12:00 AM to 25th Feb 2022 12:00 AM, payments for LLP will be accepted only through online mode (Credit/Debit Card and Net Banking).
- ❖ DSC association and new user registration on MCA21 portal will be stopped on 25th Feb 2022 12:00 AM.

Stakeholders may note that the above services will resume in new application with LLP launch and there will not any interruption in filling of Company forms. In view of the above, professionals and all others stakeholders are advised to plan their filing schedules accordingly.

Detailed update is available on the MCA website at the following link: <https://www.mca.gov.in/content/mca/global/en/notifications-tender/news-updates/updates.html>

The Institute of Company Secretaries of India commends the dedicated efforts being undertaken by the Ministry to further strengthen the governance framework and provide ease of doing business.

Regards,

Team ICSI

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LEGAL WORLD



- KAILASH NATH AGARWAL & ORS v. PRADESHIYA INDUSTRIAL & INVESTMENT CORPORATION OF U.P. LTD. & ANR.[SC]
- DEVAS MULTIMEDIA PVT LTD v. ANTRIX CORPORATION LTD [SC]
- PHOENIX ARC PVT LTD v. VISHWA BHARATI VIDYA MANDIR & ORS [SC]
- STATE OF UP THROUGH SECRETARY (EXCISE) & ORS v. M/S MCDOWELL AND COMPANY LTD [SC]
- ROYAL MOTORS v. YAMAHA MOTORS COMPANY LTD & ORS [CCI]
- DIGITAL NEWS PUBLISHERS' ASSOCIATION v. ALPHABET INC. & ORS [CCI]
- COMPETITION COMMISSION OF INDIA v. STATE OF MIZORAM & ORS [SC]
- HUAWEI TELECOMMUNICATIONS (INDIA) CO. PVT LTD & ANR v. WIPRO LIMITED [DEL]
- BELA GOYAL PROP. ISPAT SANGRAH (INDIA) v. VIPL - MIPL JV (JAIPUR) & ORS.[DEL]



Corporate Laws

Landmark Cases

LMJ 02: 02: 2022

KAILASH NATH AGARWAL & ORS v. PRADESHIYA INDUSTRIAL & INVESTMENT CORPORATION OF U.P LTD. & ANR.[SC]

Civil Appeal Nos. 1317,1318 &1319 of 2003

Ruma Pal & B.N.Srikrishna,JI. [Decided on 14/02/2003]

Sick Industrial Companies (Special Provisions) Act, 1985- section 22- extent of protection to guarantors-whether proceedings against guarantors protected under section 22- Held, No.

Brief facts:

The scope of the protection afforded to guarantors under Section 22(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (referred to as SICA) was in issue in these appeals.

The Respondent No. 1 (referred to as 'PICUP' hereafter) had given loans to a Company, M/s Shefali Papers Ltd., the respondent No. 2. The Appellants were the guarantors to the loan, and they had executed personal guarantee bonds with Respondent No. 1. the company became sick and failed to pay back the loan. PICUP initiated proceedings against the appellants on the capacity of guarantors. The appellants approached the High Court which dismissed the petition. Therefore, the appellants were before the Supreme court in the present appeals.

Decision: Appeals dismissed.

Reason:

That the guarantees are enforceable by PICUP against the appellants under the U.P. Act is in fact not in issue before us. The limited question is whether PICUP is prohibited by Section 22(1) of the Act from doing so.

This is in keeping with the well-established principle of statutory interpretation that where the language of the provision is explicit the language of the statute must prevail. The appellants have, however, sought to draw sustenance from the following passage in the judgment:

“The argument on behalf of the first respondent is that while this provision provides for the continuation of proceedings against the industrial company, there is no provision in the said Act which provides for the continuation of any held-up proceeding against the guarantor of a loan or advance to such company and that, therefore, Section 22 should be read as

applying only to a suit against the industrial company and not a guarantor. Apart from the fact that, as indicated above, the language of Section 22 is explicit, the scheme would provide for the repayment of the loan or advance, and, therefore, would take within its ambit the claim on the guarantee; the question of proceeding with the suit against the guarantor would not arise. On the other hand, if the industrial company cannot be revived by a scheme, the embargo under Section 22 would cease to operate.” (Emphasis ours)

These observations do not mean that when the words used are unambiguous, other extrinsic interpretative aids such as the objects of the statute, or the difficulties that would be faced by creditors will be relevant in interpreting the expression. The Court in Patheja's case merely observed that the creditor could recover its sum from the principal debtor under the scheme and, therefore, the claim on the guarantee would not arise if the amount were so recovered under the scheme.

We do not read the observations quoted as holding that protection of guarantors of loans to a sick company is an object of the 1994 amendment which object must colour our interpretation of the amendment. Till 1994 no protection was afforded to the guarantors under the Act at all. A limited protection has been given in 1994. The expression used being clear and unambiguous, it is not for us to question the wisdom of the legislature in giving the limited protection it did or why such protection was necessary at all. Finally, the phrase introduced by the 1994 amendment relates to the pre-decretal stage because recovery proceedings by way of execution is already covered under the first half of sub-section (1) of Section 22.

If the procedure under the U.P. Act is covered under the word 'proceeding' in the first limb of Section 22(1) of SICA, which it is according to Maharashtra Tubes, it is not a 'suit' for recovery under the second limb of that Section. As rightly contended by learned counsel appearing for PICUP, the proceedings under the U.P. Act are really recovery proceedings within the meaning of the word 'proceeding' as defined in Maharashtra Tubes. Since Section 22(1) only prohibits recovery against the industrial company, there is no protection afforded to guarantors against recovery proceedings under the U.P. Act. The appeals are dismissed with costs.

LW 08: 02: 2022

DEVAS MULTIMEDIA PVT LTD v. ANTRIX CORPORATION LTD [SC]

Civil Appeal No.5766 of 2021 & Civil Appeal No.5906 of 2021

Hemant Gupta & V. Ramasubramanian,JI. [Decided on 17/01/2022]

Companies Act,2013- section 271(c)- winding of company under fraud- appellant entered into technology transfer contract with respondent even without having the technology- till the time of winding up petition appellant did not have the technology- whether fraud- Held, Yes. Whether winding up order tenable- Held, Yes.

Brief facts:

Challenging an order of winding up passed by the National Company Law Tribunal under Section 271(c) of the

Companies Act, 2013, which was confirmed by the National Company Law Appellate Tribunal on appeals, the company in liquidation, namely, Devas Multimedia Private Limited, through its ex-Director has come up with an appeal in Civil Appeal No.5766 of 2021 and one of the shareholders of the company in liquidation, namely, Devas Employees Mauritius Private Limited (hereinafter referred to as DEMPL) has come up with another appeal in CA No.5906 of 2021.

Decision: Appeals dismissed.

Reason:

Apart from the above main grounds of attack, which we have dealt in extenso, the learned senior counsel for the appellants also made a few supplementary submissions. One of them was that a lis between two private parties cannot become the subject matter of a petition under Section 271(c). But this argument is to be rejected outright, in view of the fact that the claims of Devas and its shareholders are also on the property of the Government of India. The space segment in the satellite proposed to be launched by the Government of India, is the property of the Government of India. In fact, the shareholders have secured two awards against the Republic of India under BIT. Therefore, it is neither a lis between two private parties nor a private lis between a private party and a public authority. It is a case of fraud of a huge magnitude which cannot be brushed under the carpet, as a private lis.

Another contention raised on behalf of the appellants is that the petition under Section 271(c) should have been preceded, at least by a report from the Serious Fraud Investigation Office, which has now gained statutory status under Section 211 of the Companies Act, 2013. But this contention is unacceptable, in view of the fact that under the 2013 Act there are two different routes for winding up of a company on allegations of fraud. One is under Section 271(c) and the other is under the just and equitable clause in Section 271(e), read with Section 224(2) and Section 213(b). What was Section 439(1)(f) read with Section 243 and Section 237(b) of the 1956 Act, have now taken a new avatar under Section 224(2) read with Section 213(b). It is only in the second category of cases that the report of the investigation should precede a petition for winding up.

Yet another contention raised on behalf of the appellants is that the criminal complaint filed for the offences punishable under Section 420 read with Section 120B IPC, has not yet been taken to its logical end. Therefore, it is contended that in case the officials of Antrix and shareholders of Devas are acquitted after trial, the clock cannot be put back, if the company is now wound up. Attractive as it may seem at first blush, this contention cannot hold water, if scrutinised a little deeper. The standard of proof required in a criminal case is different from the standard of proof required in the proceedings before NCLT. The outcome of one need not depend upon the outcome of the other, as the consequences are civil under the Companies Act, 2013 and penal in the criminal proceedings. Moreover, this argument can be reversed like the handle of a dagger. What if the company is allowed to continue to exist and also enforce the arbitration awards for amounts totalling to tens of thousands of crores of Indian Rupees (The ICC award is stated to be for INR 10,000 crores and the 2 BIT awards are stated to be for INR 5,000 crores) and eventually the Criminal Court finds all shareholders guilty of fraud? The answer to this question would be abhorring.

Lastly, it was contended that the actual motive behind Antrix seeking the winding up of Devas, is to deprive Devas, of the benefits of an unanimous award passed by the ICC Arbitral tribunal presided over by a former Chief Justice of India and the two BIT awards and that such attempts on the part of a corporate entity wholly owned by the Government of India would send a wrong message to international investors.

We do not find any merit in the above submission. If as a matter of fact, fraud as projected by Antrix, stands established, the motive behind the victim of fraud, coming up with a petition for winding up, is of no relevance. If the seeds of the commercial relationship between Antrix and Devas were a product of fraud perpetrated by Devas, every part of the plant that grew out of those seeds, such as the Agreement, the disputes, arbitral awards etc., are all infected with the poison of fraud. A product of fraud is in conflict with the public policy of any country including India. The basic notions of morality and justice are always in conflict with fraud and hence the motive behind the action brought by the victim of fraud can never stand as an impediment.

We do not know if the action of Antrix in seeking the winding up of Devas may send a wrong message, to the community of investors. But allowing Devas and its shareholders to reap the benefits of their fraudulent action, may nevertheless send another wrong message namely that by adopting fraudulent means and by bringing into India an investment in a sum of INR 579 crores, the investors can hope to get tens of thousands of crores of rupees, even after siphoning off INR 488 crores.

Conclusion Therefore, in fine, we find all the grounds of attack to the concurrent orders of the NCLT and NCLAT to be unsustainable. Therefore, the appeals are dismissed. However, without any order as to costs.

LW 09: 02: 2022

PHOENIX ARC PVT LTD v. VISHWA BHARATI VIDYA MANDIR & ORS [SC]

Civil Appeal Nos. 257-259 of 2022

M.R.Shah & B.V.Nagarathna,JI. [Decided on 12/01/2022]

SARFAESI Act- enforcement of security interest-outstanding dues about Rs.117 crores- attachment of property- High Court staying the proceedings-paltry sum was directed to be deposited- whether stay order tenable-Held, No.

Brief Facts:

The respondents – borrowers whose accounts have been declared as NPA in the year 2013 have filed the writ petitions before the High Court challenging the communication dated 13.08.2015 purporting it to be a notice under Section 13(4) of the SARFAESI Act. It is required to be noted that as per the appellant – assignor approximately Rs.117 crores is due and payable to the Bank. While passing the ex-parte interim order on 26.08.2015 and while entertaining the writ petitions against the communication dated 13.08.2015, the High Court has directed to maintain status quo with respect to the possession of the secured properties on condition that the borrowers deposit Rs. 1 crore only. Despite the fact that subsequently an application for vacating the ex- parte ad-interim order has been filed in the year 2016, the application for vacating the

interim order has not been decided and disposed of. On the contrary, the High Court thereafter has further extended the ex-parte ad-interim order dated 26.08.2015 on condition that the borrowers should deposit a further sum of Rs. 1 crore. Thus, in all the borrowers are directed to deposit Rs. 3 crores only against the dues of approximately Rs.117 crores. Thereafter, the High Court again vide order dated 27.03.2018 extended the earlier ex-parte interim-order dated 26.08.2015 on condition that the borrowers deposit a further sum of Rs. 1 crore.

Feeling aggrieved and dissatisfied with the aforesaid interim orders / extension of the interim orders and entertaining the writ petitions, the appellant – Phoenix ARC Private Limited, the original respondent has preferred the present appeals.

Decision: Appeal allowed.

Reason:

Assuming that the communication dated 13.08.2015 can be said to be a notice under Section 13(4) of the SARFAESI Act, in that case also, in view of the statutory remedy available under Section 17 of the SARFAESI Act and in view of the law laid down by this Court in the cases referred to hereinabove, the writ petitions against the notice under Section 13(4) of the SARFAESI Act was not required to be entertained by the High Court. Therefore, the High Court has erred in entertaining the writ petitions against the communication dated 13.08.2015 and also passing the ex-parte ad-interim orders directing to maintain the status quo with respect to possession of secured properties on the condition directing the borrowers to pay Rs. 1 crore only (in all Rs.3 crores in view of the subsequent orders passed by the High Court extending the ex- parte ad-interim order dated 26.08.2015) against the total dues of approximate Rs.117 crores. Even the High Court ought to have considered and disposed of the application for vacating the ex-parte ad- interim relief, which was filed in the year 2016 at the earliest considering the fact that a large sum of Rs.117 crores was involved.

Applying the law laid down by this Court in the case of Mathew K.C. (supra) to the facts on hand, we are of the opinion that filing of the writ petitions by the borrowers before the High Court under Article 226 of the Constitution of India is an abuse of process of the Court. The writ petitions have been filed against the proposed action to be taken under Section 13(4). As observed hereinabove, even assuming that the communication dated 13.08.2015 was a notice under Section 13(4), in that case also, in view of the statutory, efficacious remedy available by way of appeal under Section 17 of the SARFAESI Act, the High Court ought not to have entertained the writ petitions. Even the impugned orders passed by the High Court directing to maintain the status quo with respect to the possession of the secured properties on payment of Rs.1 crore only (in all Rs.3 crores) is absolutely unjustifiable. The dues are to the extent of approximately Rs.117 crores. The ad-interim relief has been continued since 2015 and the secured creditor is deprived of proceeding further with the action under the SARFAESI Act. Filing of the writ petition by the borrowers before the High Court is nothing but an abuse of process of Court. It appears that the High Court has initially granted an ex-parte ad-interim order mechanically and without assigning any reasons. The High Court ought to have appreciated that by passing such an interim order, the rights of the secured creditor to recover the amount due and payable have been seriously prejudiced. The secured

creditor and/or its assignor have a right to recover the amount due and payable to it from the borrowers. The stay granted by the High Court would have serious adverse impact on the financial health of the secured creditor/assignor. Therefore, the High Court should have been extremely careful and circumspect in exercising its discretion while granting stay in such matters. In these circumstances, the proceedings before the High Court deserve to be dismissed. In view of the above and for the reasons stated above, present appeals succeed.



LW 10: 02: 2022

SATE OF UP THROUGH SECRETARY (EXCISE) & ORS v. M/S MCDOWELL AND COMPANY LTD [SC]

Civil Appeal No(s). 169-170 of 2022 (@ SLP(C) Nos. 11596-11597 of 2020)

A.M. Khanwilkar, Dinesh Maheshwari & Krishna Murari, JJ. [Decided on 05/01/22]

Excise duty on liquor- Uttar Pradesh Bottling of Foreign Liquor Rules, 19694 and Rule 709 of the Uttar Pradesh Excise Manual- destruction of liquor due to fire- department levied duty on the value of liquor stock destroyed- High court reversed the levy on the ground that there was no negligence on the part of the assessee - whether correct-Held, No.

Brief facts:

The genesis of the present litigation had been in a fire incident that took place in a godown of the distillery of the respondent company on 10.04.2003. As many as 35,642 cases of Indian Made Foreign Liquor of different brands got destroyed in this fire. After receiving the initial reports that the fire possibly took place due to short circuit of electricity, the department proposed to recover the amount of excise duty lost, due to such destruction of liquor, from the respondent company. The respondent maintained that there was no negligence on its part and, therefore, no case for recovery of the alleged loss of excise duty was made out under Rule 7(11) of the Uttar Pradesh Bottling of Foreign Liquor Rules, 19694 and Rule 709 of the Uttar Pradesh Excise Manual.

Decision: Appeal allowed.

Reason:

In view of rival submissions, the following three major questions arise for determination in this case:

- A. As to whether demand of excise duty on the liquor lost in fire is authorised by law and has rightly been raised as per the applicable provisions of the Act of 1910, the Excise Manual and the Rules of 1969?

- B. As to whether the fire incident in question had been an event beyond human control and no negligence could be imputed on the respondent company?
- C. What would be the effect of the fact that the respondent company had taken insurance coverage only of the value of liquor (and not that of excise duty thereupon) and then, had received the insurance claim towards the value of liquor?

In summation of what has been discussed hereinabove, we hold, -

- (i). The demand raised by the appellants against the respondent company, of excise duty on the liquor lost in fire, is authorised by law and has rightly been raised as per the applicable provisions of the Act of 1910, the Excise Manual and the Rules of 1969.
- (ii). The fire incident in question cannot be said to be that of an event beyond human control and the High Court has been in error in holding that no negligence could be imputed on the respondent company.
- (iii). The fact that the respondent company had taken insurance coverage only of the value of liquor (and not that of excise duty thereupon) and then, had received the insurance claim towards the value of liquor also operates against the respondent company and fortifies the conclusion about negligence of the respondent company.

Upshot of the discussion foregoing is that this appeal deserves to succeed, and the writ petition filed by the respondent company deserves to be dismissed. As a necessary corollary, the miscellaneous application filed by the respondent company, for consideration of its refund application, is rendered redundant and deserves to be dismissed as such.



LW 11: 02: 2022

ROYAL MOTORS v. YAMAHA MOTORS COMPANY LTD & ORS [CCI]

Case No. 36 of 2021

A.K. Gupta, Sangeeta Verma & B. S. Bishnoi [Decided on 31/12/2021]

Competition Act, 2002- abuse of dominance- appointment of additional dealer- restrictions on dealership agreement- whether constitutes abuse of dominance-Held, No.

Brief Facts:

Informant is aggrieved by the fact that Yamaha has proposed to bring in another dealer in the small geographic area of the Mayiladuthurai, Tamil Nadu, especially against the background that the Informant has invested financial

resources in establishing the dealership showroom and necessary peripherals (in a span of 28 years from the year 1993 to 2021) and that it has been restrained from selling products of other competing manufacturers.

Decision: Dismissed.

Reason:

The Commission notes the allegations of the Informant that Yamaha has imposed unfair terms and conditions on it, in the form of Clauses 4.2, 11.2 and 14.4 under the Dealership Agreement (latest agreement being entered into on 01.04.2018).

Based on the facts of the present case, the Commission is of the prima facie view that Yamaha is one of the popular and well-known brands in two wheelers, particularly in the motorcycles and has a presence all over India through its wide distribution network. Also, the present matter emanates out of a dealership pertaining to motorcycles and related spares. Accordingly, the Commission deems it fit to delineate the relevant product market as "manufacture and sale of motorcycles". As regards the relevant geographic market, the Commission notes that Yamaha has a presence throughout India and the conditions of competition for supply of goods or provision of services or demand of goods and services appear to be homogenous throughout such territory. Thus, in the view of the Commission, the relevant geographic market appears to be the "territory of India".

The Commission notes that the Informant has not filed any data/statistics to show the dominance of Yamaha in the relevant market. As per the information available in public domain (CMIE Industry Outlook), there exists well entrenched inter-brand competition in the form of other important constituents of the industry like Hero Motocorp Ltd., Bajaj Auto Ltd., Honda Motorcycle & Scooter India Pvt. Ltd., TVS Motor Co. Ltd, etc. From the same source, the Commission notes that the competitors of Yamaha in the motorcycles market in India enjoy higher market shares while Yamaha has a market share of less than 10%. Accordingly, Yamaha cannot be said to be having a dominant position in the aforesaid delineated relevant market. Ergo, there arises no case for assessing the alleged abuse of dominant position by Yamaha.

In view of the foregoing, the Commission is of the opinion that there exists no prima facie case of contravention of the provisions of Section 4 of the Act against Yamaha and other Opposite Parties and therefore, the matter be closed forthwith under Section 26(2) of the Act. Consequently, no case for grant for relief(s) as sought under Section 33 of the Act arises, and the same is also rejected.

LW 12: 02: 2022

DIGITAL NEWS PUBLISHERS' ASSOCIATION v. ALPHABET INC. & ORS [CCI]

Case No. 41 of 2021

A.K. Gupta, Sangeeta Verma & B. S. Bishnoi [Decided on 07/01/2022]

Competition Act, 2002- digital publication- abuse of dominance- non-sharing of advertisement revenue with publishers- whether constitutes abuse of dominance-Held, Yes. Whether investigation required-Held, Yes.

Brief facts:

The Informant has alleged that Google imposes unfair conditions on the members of the Informant while providing its services in the form of displaying website links of members of the Informant to appear in web searches. As per the Informant, its members are not informed of or given any data pertaining to the amount of revenue earned by Google by providing

advertisements on the websites/links of the members of the Informant. Further, Google is stated to give a small portion of revenue generated from the advertisements on the websites/links of the members of the Informant, in an arbitrary manner, without disclosing any basis for calculation of such revenue. It has also been alleged that the members of the Informant are not compensated for snippets of the content created by them which is displayed by Google in search engine result page.

Against this backdrop, the Informant is aggrieved by the denial of fair advertising revenue to its members resulting from the abuse of its dominant position by Google.

Decision: CCI orders investigation.

Reason:

With consumers increasingly accessing news content online, advertiser expenditure on digital advertising has grown significantly, which has also seen a reflection in the growing share of digital ad revenues in total ad revenues earned by news publishers. In such a scenario, the concern raised by the Informant regarding alleged lack of transparency in online digital advertising intermediation services, which makes it difficult for publishers to audit and verify the ad revenue generated on their websites, merits examination. In view of Google's market position in the online digital advertising intermediation services, the alleged unilateral and non-transparent determination and sharing of ad revenues appears to be an imposition of unfair condition on publishers. The alleged opacity on critical aspects such as data and audience management practices, or generation and sharing of revenue with publishers, exacerbates the information asymmetry and is prima facie prejudicial to the interest of publishers, which, in turn, may affect the quality of their services and innovation, to consumer detriment. Thus, the imposition of such unfair conditions as well as price by Google in the provision of its various services is prima facie violation of Section 4(2)(a) of the Act.

The Informant has also alleged that Google has unilaterally decided not to pay the publishers of news for the snippets used by them in search engine results. As per the ACCC Report referred above, 'snippet' refers to the small amount of text, an image or a short video that forms part of a link. The purpose of the snippet is to provide context to the hyperlink and an indication of the contents of the relevant website to the user, so that the user can evaluate the relevance of the website to their search query. While a snippet may be the first line or two of a news article, it can also be extracted from the body of a news article if the search engine finds that information to be more relevant to answering the user's query. The issue of scraping and displaying news snippets and leads by Google on its search platform without compensating the content creators also assumes particular significance in view of the increasing zero-click searches.

The display of snippets may ensure online visibility of content/content creators and enhance their market reach and penetration. However, if the readers do not click on the snippets to enter the news publisher websites (as the snippet itself is sufficient to address the query), it would limit the ad revenue earning potential of news publishers while Google would continue to earn ad revenue on its result page as well as by enriching its search algorithm resulting from the volume of search queries. It might also result in an increase in the number of users on the search engine as users accessing

Google search for news content might also use search for non-news content. Thus, Google continues to earn revenue directly/indirectly in such cases even though news publishers may not be able to do so until the user clicks on the search links. It needs to be examined whether the use of snippets by Google is a result of bargaining power imbalance between Google on the one hand and news publishers on the other, and whether it affects the referral traffic to news publisher websites, and thus, their monetization abilities. In a well-functioning democracy, the critical role played by news media cannot be undermined, and it needs to be ensured that digital gatekeeper firms do not abuse their dominant position to harm the competitive process of determining a fair distribution of revenue amongst all stakeholders. Therefore, the alleged conduct of Google appears to be an imposition of unfair conditions and price which, prima facie, is a violation of Section 4(2)(a) of the Act.

Similarly, the alleged issue of publishers being forced to build mirror-image websites using the AMP format, with Google caching all articles and serving the content directly to mobile users, can have revenue implications for the publishers. As alleged, for AMP articles, Google restricts paywall options unless publishers rebuild their paywall options and their meters for AMP, which may amount to an unfair imposition on publishers. These aspects would be suitably examined during investigation.

Based on the above, the Commission is of prima facie view that Google has violated the provisions of Section 4(2)(a) of the Act, which merits investigation. Further, the Informant has also alleged that abovementioned conduct of Google results in violation of the provisions of Section 4(2)(b)(ii) as well as Section 4(2)(c) of the Act. The DG can appropriately examine these allegations as well during investigation. Further, it appears that Google is using its dominant position in the relevant markets to enter/protect its position in the market for news aggregation services in violation of Section 4(2)(e) of the Act, which again merits detailed investigation.

LW 13: 02: 2022

COMPETITION COMMISSION OF INDIA v. STATE OF MIZORAM & ORS [SC]

Civil Appeal No. 10820-10822 of 2014

Sanjay Kishan Kaul & M.M. Sundresh,JI. [Decided on 19/01/2022]

Competition Act,2002- section 3 & 4- Stare lottery-tender process for appointment of agents- allegation of bid rigging- CCI directed investigation- High Court held CCI had no jurisdiction- Whether correct- Held, No.

Brief facts:

One of the bidders, who participated in the tender processing conducted by the State of Mizoram, for the appointment of selling agents for State lottery run by the State, made a complaint to the Competition Commission of India (CCI) alleging bid rigging in the tender process. The CCI directed investigation into the matter and the State of Mizoram approached the High Court challenging the jurisdiction of the CCI. High Court allowed the petition and held CCI has no jurisdiction to investigate in the matter. Aggrieved, CCI was before the Supreme Court. The core issue was whether CCI

had jurisdiction to investigate the allegation of bid rigging and cartelisation in the tender process conducted by the State of Mizoram.

Decision: Appeal allowed.

Reason:

We are in agreement with the line of arguments that the concern of the CCI was not at all with the carrying out, regulation or prohibition of the lottery business as was governed by the Regulation Act. Rather, the concern was limited to the role assigned to the CCI under the Competition Act, and in the context of the EoI was limited to examining any perceived bid rigging in the tendering process for appointment of selling agents and distributors for the lottery business. There was no conflict in the interplay of the two Acts that even needed reconciliation or prohibition against either one, as the limited scrutiny was to examine the mandate of Section 3(1) read with Section 3(3) of the Competition Act. Lotteries may be a regulated commodity and may even be res extra commercium. That would not take away the aspect of something which is anti-competition in the context of the business related to lotteries.

We must take note of the expansive definition of ‘Service’ under Section 2(u) of the Competition Act. It means “service of any description”, which is to be made available to potential users. The purchaser of a lottery ticket is a potential user, and a service is being made available by the selling agents in the context of the Competition Act. Suffice for us to say the inclusive mentioning does not inhibit the larger expansive definition. The lottery business can continue to be regulated by the Regulation Act. However, if in the tendering process there is an element of anti-competition which would require investigation by the CCI, that cannot be prevented under the pretext of the lottery business being res extra commercium, more so when the State Government decides to deal in lotteries.

We would like to say that the intervention by the High Court was extremely premature. It ought to have waited for the CCI to come to a conclusion but on the other hand what has happened is that the CCI proceedings have been brought to a standstill while the High Court opined on the basis of some aspects which may or may not arise.

The complaint having been made by respondent No.4 under Section 19 of the Competition Act, which provides that the Commission “may” inquire into certain agreements and dominant position of enterprise as envisaged under sub-section (1) of Section 3 and sub-section (1) of Section 4 of the Competition Act. The CCI found out a prima facie case for investigation by the DG under Section 3(1) of the Competition Act, the DG opined adversely, and the CCI issued notice giving an opportunity to the affected parties to place their stand before it. This process ought to have been permitted to conclude with the right available to the affected parties to avail of the appellate remedy under Section 53B of the Competition Act.



LW 14: 02: 2022

HUAWEI TELECOMMUNICATIONS (INDIA) CO. PVT LTD & ANR v. WIPRO LIMITED [DEL]

Arbitration Petition No. 365/2019

Suresh Kumar Kait, J.[Decided on 24/01/2022]

Arbitration and Conciliation Act,1996- section 11- appointment of arbitrator- disputes between the parties- one of the party refuses to give consent for the appointment of sole arbitrator- whether arbitrator to be appointed-Held, Yes.

Brief facts:

Parties had entered into two Cooperation Agreements dated 20.03.2009. Disputes arose between the parties as the work was not completed in time. Petitioner invoked the arbitration clause and sought the consent of the respondent for the appointment of sole arbitrator. Respondent refused to give consent. The petitioner approached the High Court for the appointment of the sole arbitrator.

Decision: Allowed.

Reason:

Applying the afore-noted observations to the case in hand, this Court finds that in the present case, the agreement in question contains an arbitration clause. For resolution of disputes with regard to work order in question, petitioners first sent Legal Notice dated 21.12.2018 to respondent calling upon to provide a resolution plan within seven days, which was replied by the respondent vide its communication dated 03.01.2019 stating therein the respondent was under the process of reviewing the allegations and claims raised by the petitioners and a details response shall be shared shortly. Thereafter, petitioners sent a legal notice dated 14.03.2019 to respondent invoking arbitration wherein name of Justice (Retd.) R.C.Chopra was proposed for appointment as Arbitrator, which was not replied to. The period of limitation of three years will be counted from the expiry of refusal to reply to appointment of Arbitrator within 30 days of invoking arbitration by notice, which in this case shall be 13.04.2019. The present petition was filed before this Court on 24.05.2019 and in this manner, there is no delay in filing the present petition.

Pertinently, with regard to Agreement dated 20.03.2009, work was commissioned after a delay on 25.06.2012 and respondent was required to give one year maintenance and three years operation warranty and so, the Operation and Maintenance period was valid till 24.06.2013 and the warranty was valid till 24.06.2015. With regard to issues raised by their client-BSNL, petitioners had written several e-mails dated 1.09.2015, 23.09.2015, 17.11.2015, 21.12.2015, 25.01.2016,

03.02.2016, 08.03.2016, 27.04.2016 and 26.10.2016 to respondent for rectification and resolution of pending issues and a few of them were replied by the respondent vide e-mail dated 28.12.2015, 07.01.2016, 03.02.2016. Besides, both sides held meetings on 15.11.2018 and 27.11.2018. The first legal notice was sent on 21.12.2018, which was replied by the respondent 03.01.2019 stating that the detailed response shall be given and thereafter, on 14.03.2019 notice invoking arbitration was sent by the petitioners nominating its Arbitrator. However, since the said notice was not replied to within 30 days, petitioners filed the present petition on 24.05.2019. Without going into the details of these e-mails and minutes of meeting held between the parties, this Court finds that there has been continuous cause of action and persistent demand raised on the part of petitioner and thereby, the claims raised cannot be said to be decayed.

So far as plea of respondent that the claims raised by respondent that all disputes stood already settled in terms recorded in the Minutes of Meeting dated 21.12.2015 or that there are two distinct agreements which cannot be consolidated or that the defects which were got rectified by a third party at the risk and cost of respondent, are questions of claims which shall be considered and decided by the learned Arbitrator.

Pertinently, execution of Cooperation Agreement dated 20.03.2009 between the parties; existence of arbitration Clause-18.2 therein and invocation of arbitration by virtue of notice dated 14.03.2019 is not disputed. Also, terms of Clause -18.2 the disputes have to be referred to a single Arbitrator.

LW 15: 02: 2022

BELA GOYAL PROP ISPAT SANGRAH (INDIA) v. VIPL - MIPL JV (JAIPUR) & ORS. [DEL]

I.A. No.12937/2021 in CS(COMM) No. 1217 of 2018

Yogesh Khanna, J. [Decided on 03/01/2022]

Section 18 of the Limitation Act read with section 20 the CPC- post dated cheque- whether an acknowledgement of debt-Held, Yes.

Brief facts:

Plaintiff is the supplier of iron to the Defendant No.1 company. As the Defendant failed to pay the consideration, the plaintiff filed the suit in Delhi. The contention of the defendants no.1 to 3 were that Delhi Court has no territorial jurisdiction to entertain this Suit and the Suit is, even otherwise, barred by limitation. It was further contended that the entire cause of action arose at Jaipur; the goods were supplied at Jaipur; payments were to be made at Jaipur and the invoices raised by the plaintiff also notes the jurisdiction to be of Jaipur.

Further, it was alleged the entire supplies of iron was made between the year 2014-2015 and the last of such invoices was of dated 30.03.2015 and the present Suit has been filed on 31.10.2018 i.e., much after the limitation had expired and hence, the suit was liable to be dismissed.

Decision: Application dismissed.

Reason:

Admittedly defendant nos.2 to 4 have their registered office at Delhi. The defendant no.1 is a joint venture of defendant nos.2 and 3. The explanation to Section 20 CPC makes it clear where principal office is located, the company is presumed to carry its business from there. Moreso, if one peruse the

three impugned cheques, those were of the account in Punjab National Bank, of defendant no.1, being maintained at Shalimar Bagh, Delhi. Thus, the part of cause of action arose at Delhi coupled with the fact the company has its principal office at Delhi; this Court shall have the jurisdiction. Merely by mentioning on the invoices viz. the disputes shall be subject to the jurisdiction at Jaipur would not snatch away the jurisdiction of this Court as there was no exclusion clause in the invoices.

Qua limitation I may refer to para 16 of the plaint wherein the plaintiff has alleged the defendant nos.1 to 3 gave a written acknowledgment to the plaintiff in May, 2016 in the form of three cheques bearing no.445624; 445623, 445622 and promised they are into litigation with defendant no.4 and as soon as they recover money from defendant no.4 they would pay the amount to the plaintiff. The said cheques were undated and were allegedly given as a written acknowledgment.

Admittedly there is no written statement of defendants no.1 to 3 on record, hence there is no denial to para 16 of the plaint. In the absence of the denial of such averments in written statement, the contentions raised in the plaint need to be accepted at this stage.

It is by now settled proposition of law that a dishonoured cheque constitutes acknowledgement within the meaning of Section 18 of Limitation Act. Reference in this regard can be made to the decision of this Court in *Rajesh Kumari v. Prem Chand Jain AIR 1980 Del 80*, where it was held that a cheque constitutes acknowledgement and whether it was dishonoured or encashed would be immaterial. It was further held by this Court that where a cheque was dishonoured a fresh period of limitation would start from the date of the cheque. Similar view was also taken in *S.C. Gupta v. Allied Beverages Co. Pvt. Ltd. 163(2009) DLT 495* & also by Full Bench of High Court of Gujarat in *Hindustan Apparel industries v. Fair Deal Corporation AIR 2000 Gujarat 261*.

The next question which arises in this context is as to what would be the date of acknowledgement in a case where the cheque is delivered is undated and the date is later on put by the payee, with the consent/on the instruction of the drawer of the cheque.

In *Ashok Yeshwant Badave v. Surendra Madhavrao Nighojakar, AIR 2001 SC 1315*, the Apex Court, on considering the provisions of Section 5 and 6 of Negotiable Instruments Act, held that a cheque is a Bill of Exchange drawn on a bank by the holder of an account payable on demand. It was further held that Bill of Exchange even though drawn on a banker if it is not payable on demand is not a cheque. The Apex Court concluded that a post-dated cheque is not payable till the date which is shown thereon arrives and will become cheque on the said date and prior to that date the same remains a Bill of Exchange.

Thus, where the plaintiff has alleged in the plaint the said cheques were handed over as a written acknowledgment in May 2016 then in the absence of the written statement and/or a specific denial to such averment, such contention need to be accepted as of now. This fact can only be challenged in cross-examination of the plaintiff. The suit cannot be dismissed on this premise alone at this stage.

Because of the contentions raised the issues of jurisdiction and limitation have become the issues of fact and law, hence need evidence. The suit cannot be dismissed on these grounds, admittedly, when there is no written statement on record to controvert the allegations set out in the plaint.

4

FROM THE GOVERNMENT



- COMPANIES (AMENDMENT) ACT, CAA2020
- COMPANIES (AMENDMENT) ACT, CAA2017
- COMPANIES (REGISTRATION OFFICES AND FEES) AMENDMENT RULES, 2022
- COMMENCEMENT NOTIFICATION CAA2020
- CHANGE IN CONTROL OF THE ASSET MANAGEMENT COMPANY INVOLVING SCHEME OF ARRANGEMENT UNDER COMPANIES ACT, 2013
- INTRODUCTION OF SPECIAL SITUATION FUNDS AS A SUB-CATEGORY UNDER CATEGORY I AIFS
- ISSUANCE OF SECURITIES IN DEMATERIALIZED FORM IN CASE OF INVESTOR SERVICE REQUESTS
- FRAMEWORK FOR OPERATIONALIZING THE GOLD EXCHANGE IN INDIA
- DISCLOSURE OBLIGATIONS OF LISTED ENTITIES IN RELATION TO RELATED PARTY TRANSACTIONS
- INCREASING AWARENESS REGARDING ONLINE MECHANISMS FOR INVESTOR GRIEVANCE REDRESSAL
- SCHEMES OF ARRANGEMENT BY LISTED ENTITIES - CLARIFICATION W.R.T. TIMING OF SUBMISSION OF NOC FROM THE LENDING SCHEDULED COMMERCIAL BANKS/ FINANCIAL INSTITUTIONS/ DEBENTURE TRUSTEE
- OPTIONS ON COMMODITY FUTURES - PRODUCT DESIGN AND RISK MANAGEMENT FRAMEWORK – MODIFICATION IN EXERCISE MECHANISM



Corporate Laws

01 Companies (Amendment) Act, CAA2020

[Issued by the Ministry of Corporate Affairs Vide File No. 1/3/2020-CL.I dated 11.01.2022. To be published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (ii)]

In exercise of the powers conferred by sub-section (2) of section 1 of the Companies (Amendment) Act, 2020 (29 of 2020), the Central Government hereby appoints the 1st July, 2022, as the date on which the provisions of section 56 of the said Act shall come into force.

K.V.R. MURTY
Joint Secretary

02 Companies (Amendment) Act, CAA2017

[Issued by the Ministry of Corporate Affairs Vide File No.1/1/2018-CL.I dated 11.01.2022. To be published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (ii)]

In exercise of the powers conferred by sub-section (2) of section 1 of the Companies (Amendment) Act, 2017 (1 of 2018), the Central Government hereby appoints the 1st July, 2022, as the date on which the provisions of second and third proviso to clause (i) of section 80 of the said Act shall come into force.

K.V.R. MURTY
Joint Secretary

03 Companies (Registration Offices and Fees) Amendment Rules, 2022

[Issued by the Ministry of Corporate Affairs Vide F. No. 01/16/2013 CL-V (Pt-I dated 11.01.2022. To be published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (ii)]

In exercise of the powers conferred by sections 396, 398, 399, 403 and 404 read with sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Registration Offices and Fees) Rules, 2014, namely:-

1. Short title and commencement. (1) These rules may be called the Companies (Registration Offices and Fees) Amendment Rules, 2022.

(2) They shall come into force with effect from 1st July, 2022.

2. In the Companies (Registration Offices and Fees) Rules, 2014, in the Annexure, in item I (Fee for filing under section 403 of the Companies Act, 2013), for sub-item B, the following sub-item shall be substituted, namely:-

"B. Following Table of additional fee and higher additional fee (in certain cases) shall be applicable for delay in filing of forms other than for increase in Nominal share capital or forms under section 92/137 of the Act or forms for filing charges.

K.V.R. MURTY
Joint Secretary

Complete details are not published here for want of space. For complete notification readers may log on to www.mca.gov.in

04 Commencement notification CAA2020

[Issued by the Ministry of Corporate Affairs Vide File No. 1/16/SM/2021 dated 24.12.2021. Published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (ii)]

In exercise of the powers conferred by sub-clause (iia) of clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), (hereinafter referred to as the said Act), the Central Government hereby declares "Electronic Gold Receipt" as securities for the purpose of the said Act.

Explanation – For the purpose of this notification,-

"Electronic Gold Receipt" means an electronic receipt issued on the basis of deposit of underlying physical gold in accordance with the regulations made by the Securities and Exchange Board of India under section 31 of the said Act.

ANAND MOHAN BAJAJ
Addl. Secretary

05 Change in control of the asset management company involving scheme of arrangement under Companies Act, 2013

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/10 dated 31.01.2021]

1. Regulation 22(e) of SEBI (Mutual Fund) Regulations 1996 ("MF Regulations"), *inter-alia*, requires that no change in the control of the asset management company ("AMC") shall be made unless prior approval of the trustees and SEBI is obtained. SEBI Circular no. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021, *inter-alia*, prescribes procedure to be followed for the change in control of an AMC.
2. To streamline the process of providing approval to the proposed change in control of an AMC involving scheme of arrangement which needs sanction of National Company Law Tribunal ("NCLT") in terms of the provisions of the Companies Act, 2013, following has been decided:
 - i. The application seeking approval for the proposed change in control of the AMC under Regulation 22(e) of MF Regulations shall be filed with SEBI prior to filing the application with the NCLT;
 - ii. Upon being satisfied with compliance of the applicable regulatory requirements, an in-principle approval will be granted by SEBI;

- iii. The validity of such in-principle approval shall be three months from the date of issuance, within which the relevant application shall be made to NCLT;
 - iv. Within 15 days from the date of order of NCLT, applicant shall submit the following documents to SEBI for final approval:
 - a. Application for the final approval;
 - b. Copy of the NCLT Order approving the scheme;
 - c. Copy of the approved scheme;
 - d. Statement explaining modifications, if any, in the approved scheme *vis-à-vis* the draft scheme and the reasons for the same; and
 - e. Details of compliance with the conditions/ observations mentioned in the in-principle approval provided by SEBI.
3. All other provisions mentioned in the para C (3) of SEBI Circular No. SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021 regarding the procedure for Change in Control of AMC shall remain unchanged.
 4. The provisions of this Circular shall be applicable to all the applications for change in control of AMC for which the scheme(s) of arrangement are filed with NCLT on or after March 1, 2022.
 5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market.
- (c) SSF intending to act as a resolution applicant under the Insolvency and Bankruptcy Code, 2016 shall ensure compliance with the eligibility requirement provided thereunder.
3. Further, in respect of SSF acquiring stressed loan in terms of Clause 58 of the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 ('RBI Master Direction'), the following is specified:
 - (a) SSF may acquire stressed loan in terms of clause 58 of RBI Master Direction upon inclusion of SSF in the respective Annex of the RBI Master Direction.
 - (b) Stressed loan acquired by SSF in terms of clause 58 of the RBI Master Direction shall be subject to a minimum lock-in period of six months. The lock in period shall not be applicable in case of recovery of the stressed loan from the borrower.
 - (c) SSF acquiring stressed loans in terms of the RBI Master Direction shall comply with the same initial and continuous due diligence requirements for its investors, as those mandated by Reserve Bank of India for investors in Asset Reconstruction Companies.
 4. This circular shall come into force with immediate effect.
 5. This circular is 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.
 6. The circular is available on SEBI website at www.sebi.gov.in under the categories "Legal framework - Circulars" and "Info for - Alternative Investment Funds".

SANJAY SINGH BHATI
Deputy General Manager

06 Introduction of Special Situation Funds as a sub-category under Category I AIFs

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/IMD-I/DF6/P/CIR/2022/009 dated 27.01.2021]

1. SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"), have been amended and notified on January 24, 2022, to introduce Special Situation Funds (SSF), a sub-category under Category I AIF, which shall invest in 'special situation assets'. Copy of the notification is available at [link](#).
2. In this context, the following is specified:
 - (a) Each scheme of SSF shall have a corpus of at least one hundred crore rupees.
 - (b) SSF shall accept an investment of value not less than ten crore rupees from an investor. In case of an accredited investor, the SSF shall accept an investment of value not less than five crore rupees. Further, in case of investors who are employees or directors of the SSF or employees or directors of the manager of the SSF, the minimum value of investment shall be twenty-five lakh rupees.

07 Issuance of Securities in dematerialized form in case of Investor Service Requests

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2022/8 dated 25.01.2021]

1. As an on-going measure to enhance ease of dealing in securities markets by investors, it has been decided that listed companies shall henceforth issue the securities in dematerialized form only (vide Gazette Notification no. SEBI/LAD-NRO/GN/2022/66 dated January 24, 2022) while processing the following service request.
 - i. Issue of duplicate securities certificate;
 - ii. Claim from Unclaimed Suspense Account;
 - iii. Renewal / Exchange of securities certificate;
 - iv. Endorsement;
 - v. Sub-division / Splitting of securities certificate;
 - vi. Consolidation of securities certificates/folios;
 - vii. Transmission;
 - viii. Transposition;
2. The securities holder/claimant shall submit duly filled up Form ISR-4 (to be hosted on the website of the Issuer Companies and the RTAs) as per the format attached to

this circular along with the documents / details specified therein. For item nos. iii to viii in paragraph 1 above, the RTA / Issuer Companies shall obtain the original securities certificate(s) for processing of service requests.

3. The RTA / Issuer Companies shall verify and process the service requests and thereafter issue a 'Letter of confirmation' in lieu of physical securities certificate(s), to the securities holder/claimant within 30 days of its receipt of such request after removing objections, if any.
 - a. The 'Letter of Confirmation' shall be valid for a period of 120 days from the date of its issuance, within which the securities holder/claimant shall make a request to the Depository Participant for dematerializing the said securities.
 - b. The RTA / Issuer Companies shall issue a reminder after the end of 45 days and 90 days from the date of issuance of Letter of Confirmation, informing the securities holder/claimant to submit the demat request as above, in case no such request has been received by the RTA / Issuer Company.
 - c. In case the securities holder/claimant fails to submit the demat request within the aforesaid period, RTA / Issuer Companies shall credit the securities to the Suspense Escrow Demat Account of the Company.
 - d. The operational guidelines are detailed in the **Annexure – A** to this circular.
4. The common norms stipulated in SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/655 dated November 03, 2021 and SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/687 dated December 14, 2021 shall be applicable for all service requests listed above.
5. Stock Exchanges and Depositories are advised to:
 - a) make necessary amendments to the relevant bye-laws, rules and regulations, operational instructions, as the case may be, for the implementation of the above circular; and
 - b) bring the provisions of this circular to the notice of their constituents and also disseminate the same on the website.
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 read with Regulation 101 of SEBI (Listing Obligations and Disclosure Requirements), 2015.
7. This circular is available on SEBI website at www.sebi.gov.in in under the categories "Legal Framework -> Circulars".
8. The Circular shall come into force with immediate effect.

ARADHANA VERMA
Deputy General Manager

Complete details are not published here for want of space. For complete notification readers may log on to www.sebi.gov.in

08 Framework for operationalizing the Gold Exchange in India

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2022/07 dated 10.01.2022]

1. SEBI Board in its meeting held on September 28, 2021 approved the framework for Gold Exchange and SEBI (Vault Managers) Regulations, 2021.
2. Government of India vide Gazette notification S.O. 5401 (E) dated December 24, 2021, has declared "electronic gold receipts" as 'securities' under Section 2(h)(ii) of the Securities Contracts (Regulation) Act 1956, and vide Gazette notification dated December 31, 2021, SEBI (Vault Managers) Regulations, 2021, have been notified, paving the way for operationalizing of Gold Exchange. The framework for the proposed Gold Exchange is listed at **Annexure 1**.
3. The stock exchange/s desirous of trading in electronic gold receipts (EGRs) may apply to SEBI for approval of trading of EGRs in new segment.
4. The Circular shall come into force with immediate effect.
5. The Exchanges are advised to:
 - 5.1. take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the same,
 - 5.2. bring the provisions of this circular to the notice of the members of the Exchange and also to disseminate the same on their website,
 - 5.3. communicate to SEBI, the status of the implementation of the provisions of this Circular.
6. This Circular is 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.
7. This Circular is available on SEBI website www.sebi.gov.in in under the category "Circulars" and "Info for Electronic Gold Receipts".

NAVEEN SHARMA
General Manager

Complete details are not published here for want of space. For complete notification readers may log on to www.sebi.gov.in

09 Disclosure obligations of listed entities in relation to Related Party Transactions

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/000000006 dated 07.01.2022]

1. Vide notification dated September 07, 2021, Regulation 15(1A) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('LODR Regulations') was introduced stipulating that Regulations 15 to 27 of Listing Regulations shall be applicable to high value debt listed entities¹ on a 'comply or explain' basis.

2. Subsequently, vide amendment dated November 9, 2021, Regulation 23 of the LODR Regulations on related party transactions was amended, *inter-alia*, mandating listed entities that have listed specified securities to submit to the stock exchanges disclosure of Related Party Transactions (RPTs) in the format specified by the Board from time to time.
3. SEBI vide circular no. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021 has specified following disclosure obligations of listed entities in relation to Related Party Transactions with respect to specified securities:
 - a. Information to be reviewed by the Audit Committee for approval of RPTs;
 - b. Information to be provided to shareholders for consideration of RPTs and;
 - c. Format for reporting of RPTs to the Stock Exchange.
4. Since the provisions of Regulation 23 of the LODR Regulations would be applicable to high value debt listed companies also, it has been decided to make provisions of the above referred circular dated November 22, 2021 applicable to high value debt listed entities.
5. This Circular shall come into force with immediate effect. Stock Exchanges are advised to bring the provisions of this circular to the notice of all listed entities that have issued specified securities and also disseminate on their websites.
6. The 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 101 of the LODR.
7. This Circular is available at www.sebi.gov.in under the link "Legal→Circulars".

PRADEEP RAMAKRISHNAN
General Manager

10 Increasing Awareness regarding Online Mechanisms for Investor Grievance Redressal

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/MRD1/MRD1_ICCI/P/CIR/2022/05 dated 05.01.2022]

1. Investors are encouraged to lodge their complaints through online mechanisms more specifically through SCORES portal and SCORES mobile application for effective redressal of grievances.
2. In this regard, in order to increase the awareness regarding online grievance redressal mechanisms, all Recognized Stock Exchanges including Commodity Derivatives Exchanges/ Depositories/ Clearing Corporations are advised to display the following on the home page of their websites and mobile apps:
 - 2.1. link / option to lodge complaint with them directly.
 - 2.2. link to SCORES website/ link to download SCORES mobile app.
3. All Recognized Stock Exchanges including Commodity Derivatives Exchanges/ Depositories/ Clearing Corporations are advised to:

- 3.1. Make necessary amendments to the relevant by-laws, rules and regulations.
- 3.2. Communicate to SEBI, the status of the implementation of the provisions of this circular through the Monthly Development Report(MDR).
4. 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 Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
5. This circular is available on SEBI website at www.sebi.gov.in under the category "Circulars".

NIRDOSH RAJAN MINZ
Deputy General Manager

11 Schemes of Arrangement by Listed Entities - Clarification w.r.t. timing of submission of NOC from the lending scheduled commercial banks/ financial institutions/ debenture trustee

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/CFD/SSEP/CIR/P/2022/003 dated 03.01.2022]

1. SEBI vide Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated November 16, 2021 and Circular No. SEBI/HO/CFD/DIL2/CIR/P/2021/659 dated November 18, 2021 has notified changes to the Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2020/249 dated December 22, 2020.
2. In respect of the NOC as required in terms of Circular dated November 16, 2021 and November 18, 2021, it is now clarified that the NOC shall be submitted before the receipt of the No-objection letter from stock exchange in terms of Regulation 37(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
3. The recognized stock exchanges are directed to bring the provisions of this circular to the notice of the listed companies and also to disseminate the same on their website
4. This circular is issued in exercise of powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulations 11, 37 and 94 read with Regulation 101(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Rule 19(7) of Securities Contracts (Regulation) Rules, 1957 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
5. A copy of this circular is available on SEBI website at www.sebi.gov.in under the categories "Legal Framework/ Circulars".

YOGITA JADHAV
General Manager

12 Options on Commodity Futures - Product Design and Risk Management Framework – Modification in exercise mechanism

[Issued by the Securities and Exchange Board of India vide Circular No. SEBI/HO/CDMRD/DNP/CIR/P/2022/01 dated 03.01.2022]

1. SEBI vide Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2017/55 dated June 13, 2017, permitted Commodity Derivatives Exchanges to introduce trading in Options on Commodity Futures and stipulated guidelines with regard to the product design and risk management framework to be adopted for trading in options on commodity futures.
2. Based on feedback received from Stock Exchanges and the recommendations of Commodity Derivatives Advisory Committee of SEBI, it has been decided to make changes in the Exercise Mechanism of option contracts on commodity futures. Accordingly, the existing para 5 of Annexure 1 to the Circular dated June 13, 2017 stand deleted. The following new para 5 shall be incorporated in place of the deleted para:

“5. Exercise Mechanism:

On expiry, following mechanism shall be adopted by Exchanges for exercise of the options contracts:

- 5.1. *All In the money (ITM) option contracts shall be exercised automatically, unless ‘contrary instruction’ has been given by long position holders of such contracts for not doing so.*
- 5.2. *All Out of the money (OTM) option contracts shall expire worthless.*

5.3. *All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.”*

3. Other guidelines prescribed in aforesaid SEBI Circular dated June 13, 2017 shall remain unchanged.
4. The Circular shall be effective from the date of new series of commodity derivatives launched on or after February 1, 2022 and exercise mechanism for Options on Futures referred to in any other guidelines prescribed by SEBI shall be as per the instant Circular.
5. The Exchanges are advised to:
 - i. take steps to make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the same,
 - ii. bring the provisions of this circular to the notice of the members of the Exchange and also to disseminate the same on their website,
 - iii. communicate to SEBI, the status of the implementation of the provisions of this circular.
6. This circular is 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.
7. This circular is available on SEBI website www.sebi.gov in under the category “Circulars” and “Info for Commodity Derivatives”

SANDEEP KRIPLANI
General Manager



ANNOUNCEMENT

QUALITY REVIEW BOARD OF ICSI INVITES APPLICATIONS FOR EMPANELMENT OF “QUALITY REVIEWERS”

The Quality review Board (Board) of ICSI has been constituted by the Ministry of Corporate Affairs to make recommendations to the Council with regard to the quality of services provided by the members of the Institute; to review the quality of services provided by the members of the Institute including secretarial services; and to guide the members of the Institute to improve the quality of services and adherence to the various statutory and other regulatory requirements.

With a view to carry out the above mentioned functions, the Board contemplates to avail the services of senior members of the profession as Quality Reviewers to assess the quality of services being rendered by Company Secretaries both in practice and in employment.

Revised Eligibility criterion for Quality Reviewers-

A Quality Reviewer shall fulfil the criteria mentioned in para I or para II:-

- I. An individual desiring to be empanelled:
 - a) Be a Fellow member of ICSI; and

- b) Possess at least fifteen years of post-membership experience as Company Secretary in Practice or employment in the Secretarial Department of a Company or as a combination of practice and employment in the Secretarial Department of a Company; and
- c) Be currently in practice of the profession of company secretaries.”

II. An individual desiring to be empanelled

- a) Be empanelled Peer Reviewers and has completed minimum 5 assignments of Peer Review

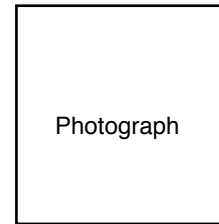
The Board assigns review of Quality of services rendered by the members to Quality Reviewers.

For payment terms and other details please refer to Terms of Reference for Quality Reviewers available at <https://www.icsi.edu/qrboard/home/>

Interested persons may kindly apply in the enclosed format and send it through e-mail to qrb@icsi.edu

PROFORMA FOR INCLUSION OF NAME IN THE PANEL OF “QUALITY REVIEWERS” CONSTITUTED UNDER THE AEGIS OF “QUALITY REVIEW BOARD”

To,
 Quality Review Board
 The Institute of Company Secretaries of India
 ICSI House
 22, Institutional Area, Lodi Road
 New Delhi - 1100 003



1. Applicant's Name Mr/Ms/Dr. (in Capital Letter)

FIRST MIDDLE LAST

--

2. Father's/Husband's Name Mr. (in Capital Letter)

FIRST MIDDLE LAST

--

3. Date of Birth (DD MM YYYY)

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4. Institute's Membership details:

Particulars	Membership Number	Month & Year of membership
ACS details		
FCS details		
COP details		

5. Contact details in CAPITAL letters

	Residential	Professional
Address		
City		
State		
PIN Code		
Phone No With STD Code:		
Mobile No.		
E-mail Address		

6. Details of academic, professional and Post Membership qualifications (Graduation onwards):

Examination Passed		University / Institution	Main subjects, if any
Name of Exam	Year		

7. Current Occupation (indicate major area(s) in which services rendered):

8. Work experience:

Do you possess minimum fifteen years of post-membership experience as Company Secretary in Practice or employment in the Secretarial Department of a Company or as a combination of practice and employment in the Secretarial Department of a Company;

(Yes/No)

9. Are you empanelled Peer Reviewers who has completed minimum 5 assignments of Peer Review. If yes, please share the below details: (Yes / No)

a. Peer Reviewer Code: _____

b. Details of the Peer Review done:

Sl. no.	Name of the Practice Unit	Year of Review

Please add separate sheet, if required.

10. Details of Post Qualification Experience in Employment/Practice (if require, attach separate sheet)

Name of the Employer/s	Designation	Professional Experience		Work Assigned / Performed
		From	To	

11. Are you member of Council / Regional Council / Managing Committee of Chapter, if yes; please provide the details:

12. Other professional achievements, if any:

13. Whether any penal action under any law has been taken/pending against you during last 5 financial years and/or thereafter? (Yes/No)

If yes, please give details thereof:

14. Whether you have been charged for any criminal proceedings / cognizance of offence.

If yes, please give details thereof: (Yes/No)

I hereby declare that the information given above is true and correct to the best of my knowledge and belief and that nothing has been concealed therefrom.

Place:

Date:

(Signature)

(Name _____)

For Office Use Only:

1. Whether complete information in the prescribed format is given:

a.	a Fellow member of ICSI	Yes	No
b.	Possess at least fifteen years of post- membership experience as Company Secretary in Practice or employment in the Secretarial Department of a Company or as a combination of practice and employment in the Secretarial Department of a Company	Yes	No
c.	Be currently in practice of the of profession company secretaries	Yes	No
d.	Empanelled Peer Reviewers who has completed minimum 5 assignment of Peer Review	Yes	No

2. Whether all other applicable points of the form have been filled:

Yes No

If no, give details _____

3. Whether applicant is to be considered for allotment of reviews:

Yes No

Remarks _____

4. Reference No. allotted

NON-RECEIPT OF CHARTERED SECRETARY JOURNAL RESOLUTION OF GRIEVANCE



CONTACT US



The Institute has been making due efforts to bring out the Chartered Secretary Journal on varied topics and dispatch to all members as per the corresponding address opted by Member in ICSI Membership Database. Nevertheless, we understand that some of our Members/Subscribers are not receiving the journal in time.

As the regular bulk dispatch is done through India Post, there is also a possibility of non-delivery or loss in transit by the Post Office officials at some locations.

While we have been taking steps to minimize the complaints of non-receipt of the journal by checking the Membership database as available @ ICSI and sending e-mails to Members and other stakeholders at regular intervals for keeping database up-to-date owing to change of job or shift of office / residence, if any, we also make efforts to resolve any complaint within 24 hours and sending the replacement copy as per their requirement.

In order to serve the stakeholders with uninterrupted supply of the journal, we request members to check and update their corresponding address, add some more location/landmark for easy access by India Post delivery officials.

Further, we are also sending additional copies of CS Journal to All ICSI Chapter and Regional Offices pan India. Member may also collect copies from nearest Chapter or Regional office in case of non receipt of CS Journal.

For all queries relating to non-receipt of Chartered Secretary, write at the dedicated email journal@icsi.edu

Or

Register your complaint at:

<https://smash.icsi.in/Scripts/Complaint/ComplaintForm.aspx>

Members may also opt for Speed Post delivery by paying nominal fees of Rs. 500/ Per Year for CS Journal.

Soliciting your cooperation in providing enhanced service.

Team ICSI

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NEWS FROM THE INSTITUTE



- MEMBERS RESTORED DURING THE MONTH OF DECEMBER 2021

- CERTIFICATE OF PRACTICE SURRENDERED DURING THE MONTH OF DECEMBER 2021

- ATTENTION

- CHANGE / UPDATION OF ADDRESS

- RESTORATION OF MEMBERSHIP

- OBITUARIES

- RESTORATION OF CERTIFICATE OF PRACTICE

- ATTENTION MEMBERS

- LIST OF PRACTICE UNITS PEER REVIEWED / CERTIFICATE ISSUED DURING JANUARY 2022



Institute News

MEMBERS RESTORED DURING THE MONTH OF DECEMBER 2021

SL. NO	NAME	MEMB NO	REGION
1	CS NAVEEN SINGH	ACS - 15240	WIRC
2	CS AAYUSHI RAJU SOMANI	ACS - 52128	WIRC
3	CS SURBHI KHANDELWAL	ACS - 48860	NIRC
4	CS SHUBHI SRIVASTAVA	ACS - 27120	NIRC
5	CS VARSHA JAIN	ACS - 586907	SIRC
6	CS ADITI PARDAL	ACS - 33216	NIRC
7	CS K VIJAYASREE	ACS - 13081	SIRC
8	CS NUPUR ROHILLA	ACS - 38785	NIRC
9	CS ALKA JAIN	ACS - 50528	EIRC
10	CS MADHURI METKAR DALAL	ACS - 19225	WIRC
11	CS KOMAL GOYAL	ACS - 22478	SIRC
12	CS RAJESH KUMAR AGGARWAL	ACS - 24129	NIRC
13	CS LEHAR ARORA	ACS - 34706	WIRC
14	CS B L CHANDAK	FCS - 1210	EIRC
15	CS L MEENAKSHISUNDARAM	ACS - 3714	SIRC
16	CS SANJEEV KUMAR DHIMAN	ACS - 25879	WIRC
17	CS NIRMAL KUMAR GANGWAL	ACS - 4701	WIRC
18	CS R SAWARDEKAR	ACS - 8852	SIRC
19	CS DINESH KUMAR JINDAL	FCS - 3300	NIRC
20	CS NIKITA SALUJA	ACS - 48673	NIRC
21	CS SANJAY HARISHCHANDRA INDULKAR	ACS - 6368	WIRC
22	CS PRACHI KAMBOJ	ACS - 26251	NIRC
23	CS SHEETAL DAGA	ACS - 22192	NIRC
24	CS PRAKASH BHATT	FCS - 8327	NIRC
25	CS UPENDRA PRASAD	ACS - 5774	NIRC

26	CS RAJENDRA A PAWAR	ACS - 12473	WIRC
27	CS ANUP KUMAR GARG	ACS - 27119	EIRC
28	CS PREETI DEVPURA	ACS - 43561	NIRC
29	CS S VASUDEVAN	ACS - 30081	SIRC
30	CS RAJNISH GARG	ACS - 4928	NIRC
31	CS VANDANA	ACS - 24631	NIRC
32	CS PREETI DEVPURA	ACS - 43561	NIRC
33	CS NEHA MEHTA	ACS - 50624	EIRC
34	CS ANAND V SUBRAMANIAM	ACS - 16984	SIRC
35	CS SANDEEP KUMAR GOYAL	ACS - 15082	NIRC
36	CS ATUL KUMAR MISHRA	ACS - 35346	WIRC
37	CS SUNISTHA SINGH	ACS - 34166	NIRC
38	CS LAKSHMANAN SOMAN	ACS - 11685	SIRC
39	CS ALPANA SHRIPAD KHALE	ACS - 40675	WIRC

CERTIFICATE OF PRACTICE SURRENDERED DURING THE MONTH OF DECEMBER 2021

SL. NO.	NAME	MEMB NO.	COP NO.	REGION
1	CS MYSORE SHAMANNA RAMACHANDRA	ACS - 942	2199	SIRC
2	CS RACHNA GAMBHIR	ACS - 23539	23890	NIRC
3	CS SHRUTIKA KHANNA	ACS - 31229	17346	NIRC
4	CS ANOOP JAGETIA	ACS - 50741	19917	NIRC
5	CS NIKITA HEMANI	ACS - 53289	22020	EIRC
6	CS DARPAN SHARMA	ACS - 63328	24971	NIRC
7	CS MINU SANTHOSH	ACS - 62382	24892	SIRC
8	CS VARTIKA KHANDELWAL	ACS - 53123	19568	EIRC
9	CS THARAK RAJ GOOKOORI	FCS - 7885	23647	SIRC
10	CS T NATARAJAN	ACS - 11849	24645	SIRC
11	CS SONIKA BANSAL	ACS - 66696	24901	NIRC
12	CS KARTIK KHANDELWAL	ACS - 64549	24301	NIRC
13	CS RANJITHA SHENOY GANJIMUT	ACS - 30257	15617	SIRC
14	CS KARTIK ARORA	ACS - 63338	24627	NIRC
15	CS SHWETA SINGH CHAUHAN	ACS - 60256	23734	NIRC
16	CS SUMAN GUPTA	ACS - 51679	20338	NIRC

17	CS GAURAV TEKCHANDANI	ACS - 62477	23561	WIRC
18	CS RITU MAHAJAN OMHARE	ACS - 47274	21081	NIRC
19	CS SWETA AGARWAL	FCS - 10753	24459	WIRC
20	CS AMAR KUMAR	FCS - 11634	17610	NIRC
21	CS NIMESH SHANTILAL NANDU	ACS - 20178	24355	WIRC
22	CS SAUMYA VERMA	ACS - 62132	23582	EIRC
23	CS SUBHAJEET KAR	ACS - 56138	24131	EIRC
24	CS SIDHARTH IYER	ACS - 26843	12161	SIRC
25	CS PRATIKA JAYESH PANCHAL	ACS - 61456	24159	WIRC
26	CS SUMAN SUNDAR RAJ	FCS - 11631	17612	SIRC
27	CS ABHINAB KUMAR CHENMAY	ACS - 62747	23929	EIRC

28	CS CHANDRALIKA SHARMA	ACS - 62816	23558	EIRC
29	CS MEENAKSHI MISHRA	ACS - 46680	22075	NIRC
30	CS SHRUTI VYAS	FCS - 11455	15404	NIRC
31	CS SANCHIT MATHUR	ACS - 47782	17803	NIRC
32	CS JYOTI SHARMA	ACS - 36607	19999	NIRC
33	CS BHASKAR JYOTI PATOWARY	ACS - 61043	24070	EIRC
34	CS RATIKA KHANDELWAL	ACS - 62610	23333	NIRC
35	CS NIRAJ SHARMA	ACS - 62100	23178	EIRC
36	CS VANDANA BHOJGARIA	ACS - 62117	23243	EIRC
37	CS DHARA VIPIN DALAL	ACS - 36723	18246	WIRC
38	CS GAUTAM BANDHE	ACS - 62180	23177	WIRC
39	CS BASKARAN YAZHINI	FCS - 8584	8418	SIRC
40	CS YASHOBANTA KUMAR SHARMA	ACS - 14653	24254	NIRC

ATTENTION!

For latest admission of Associate and Fellow Members, Life Members of Company Secretaries Benevolent Fund (CSBF), Licentiatees and issuance of Certificate of Practice, kindly refer to the link <https://www.icsi.edu/member>



CHANGE / UPDATION OF ADDRESS

The members are requested to check their professional and residential addresses and make changes, if any, online through Member Login following the given below steps:

- Login to portal www.icsi.edu
- Click Online services in the Menu and then click on Member
- Fill the User name: Enter your membership number (e.g. A1234) and Password. In case a member does not have/ remember his/her password, he/she can get the password by clicking on the "Retrieve Password" option. The password will be sent to his/her email/mobile registered with the Institute. Alternatively, he/she may send email at member@icsi.edu from his/her email registered with the Institute to get the password on the said email id.
- After login, go to Members Option then click on Manage Account
- Then click on Change of Address and professional / residential option and click Go button
- Then make changes required and Click on Submit.

Members are required to verify and update their address and contact details as required under Regulation 3 of the CS Regulations, 1982 amended till date

RESTORATION OF MEMBERSHIP

The members can restore their membership online only by making an application in Form BB (available on the website of the Institute www.icsi.edu) together with payment of the annual membership fee for the year 2021-2022 including GST@18% (Associates admitted on or after 1-4-2020 – Rs. 1770/-, Associates admitted till 31-03-2020 – Rs. 2950/- and Fellow – Rs. 3540/-) with the entrance fee of Rs. 2360/- and restoration fee of Rs. 295/- .

Particulars	Associate (admitted till 31.03.2020)	Associate (admitted on or after 01.04.2020)	Fellow
Annual Membership fee*	Rs. 2950	Rs. 1770	Rs. 3540
Entrance fee*	Rs. 2360	Rs. 2360	Rs. 2360
Restoration fee*	Rs. 295	Rs. 295	Rs. 295

* Fee inclusive of applicable GST@18%.

MODE OF REMITTANCE OF FEE

The fee can be remitted through ONLINE mode only using the payment gateway of the Institute's website www.icsi.edu. Payment made through any other mode will not be accepted.

Steps for making online payment for Restoration:

- Click **Online services** in the Menu and then click on **Member**
- Fill the User name: Enter your membership no. (eg. A1234 / F1234)
- Password. Fill the password. In case you do not have a password, you may retrieve the password in case your email id and mobile number is correctly registered (you can check at <https://www.icsi.edu/member/members-directory/>) in the Institute's record. In case your email / mobile number is not registered with us you may registered the same by providing scanned copy of your photo ID proof like Aadhaar / PAN / Passport / DL etc at email id member@icsi.edu
- After login, go to **Members Option** (from top menu) then click on **Manage Account -> Restoration of Membership for Current FY 2021-22** (on the left side under Place your Request)
- Click on proceed for payment.

For specific assistance raise a ticket at <http://support.icsi.edu>

OBITUARIES

Chartered Secretary deeply regrets to record the sad demise of the following members:

CS Amar Nath Satija (11.11.1954 – 29.04.2021), an Associate Member of the Institute from New Delhi.

CS Gopi Narayanan Yadav (05.11.1955 – 14.01.2021), a Fellow Member of the Institute from Chennai.

CS Manoj R Kohok (28.08.1967 – 21.10.2021), an Associate Member of the Institute from Pune.

CS Subrat Kumar Acharya (20.07.1965 – 08.11.2021), a Fellow Member of the Institute from Kolkata.

CS Dillip Maharathi (15.06.1973 – 05.10.2021), an Associate Member of the Institute from New Delhi.

CS S N Damle (28.12.1932 – 08.01.2022), an Associate Member of the Institute from Mumbai.

May the Almighty give sufficient fortitude to the bereaved family members to withstand the irreparable loss.

May the departed souls rest in peace.

RESTORATION OF CERTIFICATE OF PRACTICE

The process of Restoration of Certificate of Practice is now enabled for the members who could not pay the COP fees by the due date i.e. 30-09-2021.

The certificate of practice fee and restoration fee payable is as follows:

Particulars	Admitted as associate member till 31.03.2020)	Admitted as associate member on or after 01.04.2020)	Fellow
Certificate of Practice fee*	Rs. 2360	Rs. 1770	Rs. 2360
Restoration fee**	Rs. 295	Rs. 295	Rs. 295

* Fee inclusive of applicable GST@18%.

** Fee inclusive of applicable GST@18% and applicable as certificate of practice fee is not received by 30th September, 2021

MODE OF REMITTANCE OF FEE

The fee can be remitted through ONLINE mode only using the payment gateway of the Institute's website www.icsi.edu. Payment made through any other mode will not be accepted.

- Click **Online services** in the Menu and then click on **Member**
- Fill the User name: Enter your membership no. (eg. A1234 / F1234)
- Password. Fill the password. In case you do not have a password, you may retrieve the password in case your email id and mobile number is correctly registered (you can check at <https://www.icsi.edu/member/members-directory/>) in the Institute's record. In case your email / mobile number is not registered with us you may registered the same by providing scanned copy of your photo ID proof like Aadhaar / PAN / Passport / DL etc at email id member@icsi.edu
- After login, go to **Members Option** (from top menu) then click on **Manage Account -> Request relating to COP** (on the left side under Place your Request)
- Click on restoration.
- Click on proceed for payment.

Form D

Kindly fill the Form D in the link <http://bit.do/fee2021> From the membership drop down please select Form D. Complete the same and keep a copy for your records

For specific assistance raise a ticket at <http://support.icsi.edu>

ATTENTION MEMBERS

The CD containing List of Members of ICSI as on 1st April, 2021 is available in the Institute on payment of Rs. 295/-* for members and Rs. 590/-* for non-members (*including GST@18%). Request along with payment by way of cheque at par or demand draft payable at New Delhi favouring "The Institute of Company Secretaries of India" may please be sent to Joint Secretary, Directorate of Membership, ICSI House, C-36, Sector-62, Noida - 201309. For queries if any, please write to member@icsi.edu

For specific assistance raise a ticket at <http://support.icsi.edu>

LIST OF PRACTICE UNITS PEER REVIEWED / CERTIFICATE ISSUED DURING JANUARY 2022

Sl. No.	Name of the PU	City	Year of Review	Certificate no.
1	M/s. BRKS & Associates	Bengaluru	2020-21	1641/2022
2	M/s. Sandeep Dar & Co.	Navi Mumbai	2020-21	1642/2022
3	M/s. Mehak Gupta & Associates	New Delhi	2020-21	1643/2022
4	M/s. Abnish Kumar & Associates	Noida	2020-21	1644/2022
5	M/s. Yashwant Gupta & Associates	Delhi	2020-21	1645/2022
6	M/s. Kadambari Dave & Associates	Ahmedabad	2020-21	1646/2022
7	Mr. Balaramakrishna Desina	Secunderabad	2020-21	1647/2022
8	M/s. Pankaj Trivedi & Co.	Mumbai	2020-21	1648/2022
9	M/s. Sharma Rahul & Associates	Delhi	2020-21	1649/2022
10	M/s. Arvind Meena and Associates	Indore	2020-21	1650/2022
11	M/s. Kiran Vaghela & Associates	Anand	2020-21	1651/2022
12	Ms. Pooja Sachin Luthra	Nagpur	2020-21	1652/2022
13	M/s. Navneet K Arora & Co LLP	New Delhi	2020-21	1653/2022
14	M/s. P M Agarwal & Co.	Mumbai	2020-21	1654/2022
15	M/s. Kush Gupta & Co.	Navi Mumbai	2020-21	1655/2022
16	M/s. ABP & Associates	Kochi	2020-21	1656/2022
17	M/s. V. Kapoor & Associates	Faridabad	2020-21	1657/2022
18	M/s. Arun Kumar Gupta & Associates	Delhi	2020-21	1658/2022
19	M/s. S.K. Joshi & Associates	Jaipur	2020-21	1659/2022
20	M/s. S Bhattbhatt & Co.	Vadodara	2020-21	1660/2022
21	M/s. Neetu Saini & Associates	Delhi	2020-21	1661/2022
22	M/s. V.R. Associates	Mumbai	2020-21	1662/2022
23	M/s. MKB & Associates	Kolkata	2020-21	1663/2022

Sl. No.	Name of the PU	City	Year of Review	Certificate no.
24	M/s. KNK & Co. LLP	Mumbai	2020-21	1664/2022
25	M/s. Naveen Karn & Co.	Vasai-(e)	2020-21	1665/2022
26	M/s. Ruchi Kotak & Associates	Navi Mumbai	2020-21	1666/2022
27	M/s. Manju Mundra & Co.	Indore	2020-21	1667/2022
28	M/s. Dinesh Birla & Associates	Pune	2020-21	1668/2022
29	M/s. Magia Halwai & Associates	Mumbai	2020-21	1669/2022
30	M/s. Lakshmmi Subramanian & Associates	Chennai	2020-21	1670/2022
31	M/s. P. Chadha & Associates	Chandigarh	2020-21	1671/2022
32	M/s. V. Ramasamy & Co.	Delhi	2020-21	1672/2022
33	M/s. P. K. Panda & Co.	Chennai	2020-21	1673/2022
34	M/s. SAT & Associates	Mumbai	2020-21	1674/2022
35	Mr. Sanjay Kumar Jain	Jaipur	2020-21	1675/2022
36	M/s. Payal Tachak and Associates	Nallasopara	2020-21	1676/2022
37	M/s. SCS and Co. LLP	Ahmedabad	2020-21	1677/2022
38	M/s. VRG & Associates	Mumbai	2020-21	1678/2022
39	M/s. Vijay S. Tiwari & Associates	Mumbai	2020-21	1679/2022
40	M/s. Sharma and Trivedi LLP	Mumbai	NA	1680/2022
41	Mr. Bijay Agarwal	Kolkata	2020-21	1681/2022
42	M/s. Tushar K & Co.	Udaipur	2020-21	1682/2022
43	Mr. Prashant Diwan	Mumbai	2020-21	1683/2022
44	M/s. G. Aakash & Associates	Panipat	2020-21	1685/2022
45	M/s. Paliwal & Co.	Ahmedabad	2020-21	1686/2022
46	M/s. Manju Bala & Associates	Faridabad	2020-21	1687/2022
47	M/s. Patnaik & Patnaik	Kolkata	2020-21	1688/2022
48	M/s. Sanjay Sangani & Co.	Mumbai	2020-21	1689/2022

Documents downloadable from the DigiLocker Platform

The National Digital Locker System, launched by Govt. of India, is a secure cloud based platform for storage, sharing and verification of documents and certificates. In the wake of digitization and in an attempt to issue documents to all the members in a standard format and make them electronically available on real-time basis, the Institute of Company Secretaries of India had connected itself with the DigiLocker platform of the Government of India. The initiative was launched on 5th October, 2019 in the presence of the Hon'ble President of India.

In addition to their identity cards and Associate certificates, members can also now access and download their Fellow certificates and Certificates of Practice from the DigiLocker anytime, anywhere.



How to Access:

- Go to <https://digilocker.gov.in> and click on Sign Up
- You may download the DigiLocker mobile app from mobile store (Android/iOS)

How to Login:

- Signing up for DigiLocker with your mobile number.
- Your mobile number is authenticated by an OTP (one-time password).
- Select a username & password. This will create your DigiLocker account.
- After your DigiLocker account is successfully created, you can voluntarily provide your Aadhaar number (issued by UIDAI) to avail additional services.

How to Access your Documents digitally:

Members can download their digital ID Card / ACS / FCS / COP certificate(s) by following the steps given below:

1. Log in to <https://www.digilocker.gov.in> website
2. Go to Central Government and select Institute of Company Secretaries of India
3. Select the option of ID card / Membership Certificate / Practice Certificate
4. For ID Card, enter your membership number e.g. ACS 12345 / FCS 12345.
5. For membership certificate, Enter your membership and select ACS / FCS from drop down.
6. For COP certificate enter your COP number e.g. 12345 and select COP.
7. Click download / generate.
8. The ID Card / Membership certificate / Practice Certificate can be downloaded every year after making payment of Annual Membership fees.



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)

VISION

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

ICSI Motto

सत्यं वद। धर्मं चर। इष्टं कुरु त्वात्के। शोचंते त्वात्के।

MISSION

"To develop high calibre
professionals facilitating
good corporate governance"

Mandatory Peer Review for Certifications and Audit Services

Services	Applicability	Effective date (w.e.f.)
<ul style="list-style-type: none"> • Secretarial Audit Report / Annual Secretarial Compliance Report under SEBI (LODR) Regulations, 2015 • Certification of Annual Return in terms of Section 92 (2) of the Companies Act, 2013 • Compliance Certificate under Schedule V, Clause E of SEBI (LODR) Regulations, 2015 • Half yearly Share Capital Reconciliation Certificate under Regulation 40 (9) of SEBI (LODR) Regulation, 2015 	Top 100 companies as per market capitalization as on 31st March, 2020	April 1, 2020
	Top 500 companies as per market capitalization as on 31st March, 2021	April 1, 2021
	all listed companies	April 1, 2022
	all companies	April 1, 2023
<ul style="list-style-type: none"> • Quarterly Share Capital Reconciliation Certificate under Regulation 76 of SEBI (Depository Participants) Regulation, 2018 		
<ul style="list-style-type: none"> • Internal Audit of Operations of the Depository Participants 		April 1, 2020
<ul style="list-style-type: none"> • Diligence Report for Banks in case of Consortium Lending / Multiple Banking Arrangements 		July 1, 2020
<ul style="list-style-type: none"> • Due Diligence Report and Certification under SEBI (Delisting of Equity Shares) Regulations, 2021 		June 10, 2021

Connect with ICSI

www.icsi.edu | [f](#) [t](#) [in](#) [v](#) [ig](#) | Online Helpdesk : <http://support.icsi.edu>

Online Admissions
for Post Membership Qualification

PMQ

Courses for Members of ICSI on

- Corporate Governance
- Internal Audit
- Arbitration

Corporate Governance
Internal Audit • Arbitration

20
Structured
CPE Credits

COURSE STRUCTURE

In order to provide in-depth theoretical and practical knowledge to the candidates, the PMQ Course shall be conducted in 4 stages namely:

Online web-based
classes including
Recorded Lectures



Online MCQ based
Assessment twice a year
June and December



Project Report
Submission



Presentation by
the candidates



ADMISSION PROCEDURE

- Admissions are open throughout the year in online mode
- Candidates registered between 1st January to 30th June - will be eligible to appear in same year December attempt of examination
- Candidates registered between 1st July to 31st December - will be eligible to appear in June attempt of examination falling in the successive year

PASSING CRITERIA

- Passing percentage of 50% in online examination of 100 marks. Negative marking of 1/4th for every incorrect answer,
- Passing percentage of 50% in project report and in presentation

FEE STRUCTURE

- 1st Installment of Registration: Rs. 12,500/- (to be paid at the time of registration)
- 2nd Installment of Registration: Rs. 12,500/- to be paid as under
 - o for registrations done till 31st December: on or before 31st March
 - o for registrations done till 30th June: on or before 30th September
- Course Examination Fee: Rs. 1,500/- plus applicable taxes

TERM OF COURSE

The registration for PMQ courses will be valid for a period of 3 years from the date of registration.

AWARD OF DIPLOMA CERTIFICATE

All successful candidates of PMQ Courses after qualifying all the stages shall be awarded with a Diploma Certificate by the Institute of Company Secretaries of India at ICSI National Convention or at Convocation Ceremony. The Successful candidates shall be permitted to use the descriptive letters as well.

FOR QUERIES

For further queries you can write to pmq@icsi.edu

For Registrations please visit: <https://tinyurl.com/pmqcourses>

CS Devendra V. Deshpande
President, The ICSI

CS Manish Gupta
Vice President, The ICSI

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ICSI SOCIAL CONNECT

Together we can. Together we will.

The Institute of Company Secretaries of India (ICSI) has considered it to be their responsibility to undertake initiatives so as to benefit not just its own members but other stakeholders and the society at large.

Over the years, various schemes have been initiated and collaborations been made by Members of ICSI using their good offices to get discounts for other members on either regional or pan India basis. We are pleased to inform you that all such schemes and initiatives have been brought under one umbrella of ICSI Social Connect and the same have been placed on the ICSI website.

The ICSI Social Connect tab on the website attempts to provide an easy and single point access to information about several welfare schemes of the Institute and their various aspects including eligible beneficiaries, types of benefits, scheme details, etc.

Continuing the trend of synergic advantage through collective bargaining, we would like to expand the benefit base for the members and students of the CS fraternity.

Soliciting your wholehearted support in this endeavour of ours, we earnestly request our members pursuing business activities or providing professional services to realise the mutual benefit of this initiative and connect with us to not just expand their business base but simultaneously connect with this league of professionals.

You may kindly share the details of such discounted deals/offers at member@icsi.edu Please feel free to contact us for any other clarification and information.

All the benefits and discounts under ICSI Social Connect are accessible at: <https://www.icsi.edu/profile/social/>



ICSI Plasma Bank



Blood Bank Portal



ICSI Insurance Portal



ICSI Shaheed IG (Bet) Initiative



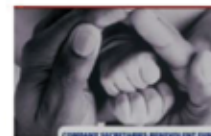
Medical Schemes



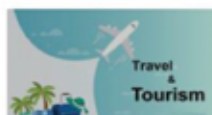
Financial Assistance Schemes



BOB-ICSI Diamond Credit Card



CSBF



Travel
&
Tourism

Team ICSI



Reconnect with your Alma Mater... The ICSI

- Participate in programmes / seminars / conferences organised by the Institute for continuing professional development.
- Participate in the Institute's democratic process.
- Get Chartered Secretary - The Journal for Governance Professionals (monthly Journal of the Institute) prospectively.
- ICSI Membership enables entering into new emerging professions such as Insolvency Profession/Registered Valuer.

Take pride being
an esteemed
CS
Professional
Restore
Your
Membership

- You are required to pay the arrears of annual membership fee, entrance fee and membership restoration fee with applicable GST
- 75% concession in annual membership fee for members above the age of seventy years
- Restore your membership online at www.icsi.edu
- Due date for payment of annual membership fee is **1st April, every year**
- Online helpdesk <http://support.icsi.edu>



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Restore Your Membership



Restoration of membership will be effective from the date of receipt of Form-BB

Vision "To be a global leader in promoting good corporate governance"	Motto वाचं धेनुं धेनुं धेनुं speak the truth, abide by the law	Mission "To develop high caliber professionals facilitating good corporate governance"
---	--	--

Connect with ICSI | www.icsi.edu | | Online Helpdesk : <http://support.icsi.edu>



Dear Members/Employees,

As part of our initiatives, we would like to inform you about Bajaj Allianz Life Insurance Co. Ltd., one of India's leading private life insurer who will be providing you its Bajaj Allianz Life Smart Protect Goal - A Non Linked, Non-Participating, Pure Life Term Insurance Plan.

Key Benefits:

- Dedicated relationship managers to address your queries and do need analysis
- Virtual Policy servicing of your insurance policy

Bajaj Allianz Life Insurance Co. Ltd. will also be able to assist you with your life insurance journey via their innovative tech solutions to enable a virtually assisted sales and service process.

Kindly go through the special value packed offering from Bajaj Allianz Life Insurance Co. Ltd. to help secure the life goals of your loved ones

AGE	25	30	35	40	45	50	55
	PT - 45 Years PPT - 45 Years	PT - 40 Years PPT - 40 Years	PT - 35 Years PPT - 35 Years	PT - 30 Years PPT - 30 Years	PT - 25 Years PPT - 25 Years	PT - 20 Years PPT - 20 Years	PT - 15 Years PPT - 15 Years
Male- ₹50 Lakh Life Cover	₹ 5266	₹ 6240	₹ 7917	₹ 10329	₹ 14026	₹ 18865	₹ 23980
Male- ₹1Cr Life Cover	₹ 9296	₹ 11211	₹ 14488	₹ 19212	₹ 26616	₹ 36113	₹ 46190
Female- ₹50 Lakh Life Cover	₹ 4751	₹ 5400	₹ 6575	₹ 8326	₹ 11122	₹ 14980	₹ 19287
Female- ₹1Cr Life Cover	₹ 8301	₹ 9584	₹ 11884	₹ 15322	₹ 20969	₹ 28537	₹ 37033

¹Above illustration is considering Male & Female | Standard Life | Non-Smoker | Life Cover Variant | Medical Rates | Policy term (PT) | Premium Payment Term (PPT) | Yearly Premium Payment Mode | Premium shown above is inclusive of Goods & Service Tax/any other applicable tax levied and is for illustrative purpose only.

Have us call you

BWARE OF SPURIOUS PHONE CALLS AND FICTITIOUS / FRAUDULENT OFFERS (RGI) is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

Risk Factors and Warning Statements: Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz Life Smart Protect Goal are the names of the company and the product respectively and do not in any way indicate the quality of the product and its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure & policy document (available on www.bajajallianzlife.com) carefully before concluding a sale. Bajaj Allianz Life Smart Protect Goal - A Non Linked, Non-Participating, Pure Life Term Insurance Plan. Regd. Office Address: Bajaj Allianz House, Airport Road, Yerwada, Pune - 411006. Reg. No.: 116, CNV : U69019ND0001PLCO19099 | Mail us : customerscare@bajajallianz.co.in | Call on : Toll free no. 1800 209 7272 | Fax No: 02066226788. Bajaj Allianz Life Smart Protect Goal (LIN: 116016JVDZ). The Logo of Bajaj Allianz Life Insurance Co. Ltd. is provided on the basis of license given by Bajaj Allianz Ltd. to use its "Bajaj" Logo and Allianz SE to use its "Allianz" Logo. All charges/fees, as applicable, will be borne by the Policyholder.

The above offer is underwritten by Bajaj Allianz Life Insurance Company Limited. The purchase of the insurance plan by the members of CSI is purely on voluntary basis. CSI takes no responsibility and has no obligations in relation to the aforementioned policy. CSI is merely disseminating this information to its members.



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Balmer Lawrie
TRAVEL & VACATIONS
(A Government of India Enterprise)

YOUR TRAVEL NOW HAS NEW WINGS...

The ICSI is pleased to announce the signing of Memorandum of Understanding (MOU) between Balmer Lawrie Co Ltd and the Institute of Company Secretaries of India to offer professional travel services to all the Members, Students and Employees of the ICSI.

SALIENT FEATURES

- Personalized access of online Self Booking Tool to all the ICSI Students, Members, Employees. Enhanced security features already incorporated in the tool.
- Provides 100% transparency of Fares & Availability and Facility to book domestic international air tickets directly from our online platforms on real time basis with no hidden costs.
- **Passing of Corporate deal Benefits -**
 - ✂ Free Meal Options
 - 🎫 Free Seat Selection
 - 👤 Nominal Cancellation fee.
- No Service fee from Balmer Lawrie on Cancellation of Air tickets.
- Inventory of 400000 domestic hotels and 100000 international hotels, holiday homes at special contracted rates on our SBT.
- Arrangement of LTC tickets as per Govt of India guidelines as well as booking LTC holiday packages at special discounted rates.
- Domestic/International holiday packages at special discount rate for ICSI Members, Students and Employees
- VISA facilitation, travel insurance, forex other ancillary services.
- 24x7 call center support services with dedicated key account managers for hassle free consultation, transactions and settlements.
- Digital/Online payment options.



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VISION
"To be a global leader
in promoting good
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ICSI Motto
सत्यं वद। धर्मं चर। *Speak the truth; abide by the law*

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good corporate governance"



E-BOOK ON COMPANIES ACT, 2013

Key Features



Effortless Usage



Refined Appearance



Dedicated tabs for
easy access:

- o Companies Act, 2013
- o Companies Rules
- o Effective Dates
- o Notifications/Circulars



Prompt update of
Circulars/ Notifications
(within 2 working days of issue)



Hyperlink facility
available in Sections
to the relevant Rules



Search facility
available in all 4 tabs



Access at: <https://www.icsi.edu/companies-act/>

Connect with ICSI www.icsi.edu | | Online Helpdesk : <http://support.icsi.edu>



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VISION

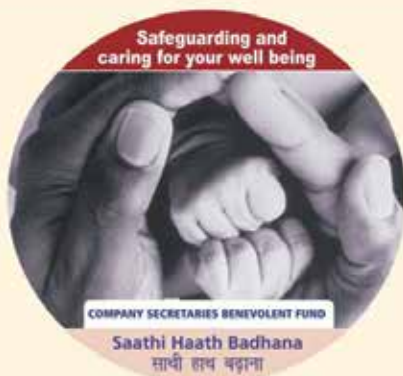
"To be a global leader
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corporate governance"

ICSI Motto

सत्यं वद। धर्मं चर। इत्येकं तेन त्वाकः संशयेत इयं तेन इव।

MISSION

"To develop high calibre
professionals facilitating
good corporate governance"



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- Registered under the Societies Registration Act, 1860 Recognised under Section 12A of the Income Tax Act, 1961
- Subscription/Contribution to the Fund qualifies for deduction under section 80G of the Income Tax Act, 1961
- Has a membership base of over 14,000 members

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A member of the Institute of Company Secretaries of India (ICSI) is eligible for the membership of the CSBF.

HOW TO JOIN

- By making an application in Form A (available at <https://www.icsi.edu/csbf/home/>) along with one time subscription of ₹ 10,000.
- One can submit Form A and also the subscription amount of ₹ 10,000 online through

Institute's web portal : www.icsi.edu. Alternatively, he can submit Form A, along with a Demand Draft payable at Delhi or Cheque at par for ₹ 10,000 drawn in favour of 'Company Secretaries Benevolent Fund', at the Headquarters/Regional Offices/Chapters.

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ICSI Signs MoU with Poonawalla Fincorp

Poonawalla Fincorp offers a special loan scheme with affordable interest rate and unmatched product features for Company Secretaries.

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Product	<p>Personal Loan (Unsecured Term Loan): Customized solutions based on your need. These include financial support for medical emergency, higher education, home renovation, wedding or dream vacation amongst others.</p>	<p>Loan for Professionals (Unsecured Term Loan): Specially designed loans to help you reach the next level in professional practice, or go for business expansion. We also takeover existing high cost loans with clean track.</p>
Features	<ul style="list-style-type: none"> > Loan amount: Min INR 1 Lakh. Max INR 30 Lakh. > Processing fee: NIL for loan up to 36 months. 1%+ applicable taxes for above 36 months. > Tenure: Min 12 months. Max 60 months. > Rate of Interest:* 9.99% p.a. up to 36 months & 10.99% p.a. above 36 months. *Reducing balance method 	<ul style="list-style-type: none"> > Loan amount: Min INR 1 lakh. Max INR 10 lakh for a member having less than 5 years of experience. Maximum INR 30 lakh for a member having equal to or more than 5 years of experience. > Processing fee: NIL for loan up to 36 months. 1%+ applicable taxes for above 36 months. > Tenure: Min 12 months. Max 60 months. > Rate of Interest:* 9.99% p.a. up to 36 months and 10.99% p.a. above 36 months. *Reducing balance method
Eligibility Criteria	<ul style="list-style-type: none"> > Age: Minimum 22 years (subject to 1 year experience in employment) and maximum up to 60 years. > Income: Minimum net salary of INR 20,000/-. > Stability: 1 year with 2 months' stability with current employer. 	<ul style="list-style-type: none"> > Age: Minimum 22 years (subject to 1 year experience in practice) and maximum up to 60 years. > Income: Minimum annual gross receipt of INR 3 lakh subject to minimum 1- year vintage in COP/experience in employment. However, please note this will not be applicable for fresher CS. > Stability: 2 years. Minimum 1 year experience in employment for those members who later on intend to start their own practice.

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Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

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

Motto
सत्यं वद। धर्मं चर। *Speak the truth; abide by the law.*

Mission
"To develop high caliber professionals
facilitating good corporate governance."

ICSI BLOOD Bank Portal



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the Service
of the Nation**

The ICSI Blood Bank Portal has a huge
database of blood donors with information
on Blood Groups with their location

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to register as a donor visit
<https://www.icsi.in/bloodbank/>

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6

MISCELLANEOUS CORNER



- GST CORNER
- ETHICS IN PROFESSION
- CG CORNER
- STARTUP INDIA

IMPLEMENTATION OF RULE-59(6), AS AMENDED, ON GST PORTAL

- As per Notification No. 35/2021 – Central Tax dated 24th September 2021, clause (a) of the sub-rule (6) of Rule 59 of CGST Rules, 2017 was amended. By way of this amendment, for the words “for preceding two months”, the words “for the preceding month” were substituted with effect from 1st January 2022. This means that from 1st January 2022 onwards, if a monthly filer has not filed the GSTR-3B for the preceding month, then such taxpayer will not be allowed to file the GSTR-1 for the subsequent month, till the GSTR-3B for the preceding month is filed.
- This functionality will be implemented on the GST Portal shortly, after which the system will check the filing of preceding GSTR-3B before permitting to file GSTR-1 for the subsequent month.

Illustration: A taxpayer has not filed the monthly GSTR-3B for November 2021. Now, the taxpayer tries to file GSTR-1 for December 2021 on 10th January 2022. The system will not allow filing of GSTR-1 for December 2021, and will allow filing of GSTR-1 for December 2021 only after the filing of GSTR-3B for November 2021.

- Taxpayers may kindly ensure timely filing of GSTR-1 and GSTR-3B in consonance with Rule 59 of CGST Rules, 2017 to avoid any inconvenience in this regard.

Source: <https://www.gst.gov.in/newsandupdates/read/515>

REPORTING OF SUPPLIES NOTIFIED UNDER SECTION 9(5) / 5(5) BY E-COMMERCE OPERATOR IN GSTR-3B

- As per the GST Council decision to notify “Restaurant Service” under section 9(5) of the CGST Act, 2017 along with other services notified earlier such as motor cabs, accommodation and housekeeping services wherein the tax on such supplies would be paid by electronic commerce operator if such supplies made through it, **Notification No. 17/2021-Central Tax (Rate) and 17/2021-Integrated Tax (Rate)** dated 18.11.2021 have been issued. Accordingly, the tax on supplies of restaurant service supplied through e-commerce operators, shall be paid by the e-commerce operator with effect from the 1st January, 2022.
- In light of the above, E-commerce operator and registered person would report taxable supplies notified under section 9(5) of CGST Act, 2017 and similar provisions in I GST/SGST/UTGST Act in the following manner.

Supplies reported by	Reporting in Form GSTR-3B
Supplies under 9(5) reported by ECO	Table 3.1(a) of GSTR-3B
Registered person/Restaurant supplying through ECO	Table 3.1(c) along-with nil and exempted supply

- For more details, please refer to CBIC [Circular No. 167/23/2021 dated 17.12.2021](#).

Source: <https://www.gst.gov.in/newsandupdates/read/516>

ADVISORY ON REVAMPED SEARCH HSN CODE FUNCTIONALITY

- A revamped & enhanced version of **Search HSN** Functionality has been launched on the GST Portal.
- The Search HSN functionality was earlier given as a measure of facilitation to the taxpayer to search the Technical Description of any particular HSN code of any goods and/or service used in the Trade, vis-a-vis HSN description in the Customs Tariff Act, 1975. However, there are many instances of goods and services where descriptions commonly used in Trade in common parlance i.e. Trade description differ from the Technical descriptions otherwise provided in the HSN descriptions of the Customs Tariff Act, 1975 and the above said functionality. Thus finding the corresponding HSN codes vis a vis a common description was a bit challenging for the taxpayer. (*Note: Technical descriptions imply those descriptions which pertain to each and every HSN Code while Trade descriptions imply those descriptions which are used in common parlance by the trade/ businesses for various goods and services.*)
- To ameliorate this challenge and to make the functionality user friendly, ‘Search HSN’ functionality has been enhanced, where the taxpayers can search the HSN code and the applicable Technical description through common parlance / trade description of the goods/ services as they are known in the Trade.
- The facility is available at both pre-login and post login. Taxpayers/users can access the same by the following navigation:

Home>Services>User services>Search HSN Code

For more details please refer https://tutorial.gst.gov.in/downloads/news/advisory_on_search_hsn_code_functionality_final.pdf

DEPLOYMENT OF INTEREST CALCULATOR IN GSTR-3B

- The new functionality of interest calculator in GSTR-3B is now live on the GST Portal.
- This functionality will facilitate & assist the taxpayers in doing self-assessment. This functionality will arrive at the system computed interest on the basis of the tax liability values declared by the taxpayers, along with the details about the period to which it pertains. The interest applicable, if any, will be computed after the filing of the said GSTR-3B and will be auto-populated in the Table-5.1 of the GSTR-3B of the next tax-period. The facility would be similar to the collection of Late fees for GSTR-3B, filed after the Due date, posted in the next period’s GSTR-3B. This functionality will inform the taxpayers about the manner of system computed interest for each tax-head and hence will assist the taxpayers in doing correct computation of interest for the tax liability of any past period declared in the GSTR-3B for the current tax period.
- For more details, please refer to the detailed advisory regarding the functionality, [click here](#)
- For seeing an illustration of interest computation in GSTR-3B by the system with sample values & screenshots, [click here](#)
- This functionality will further improve ease of filing return under GST and is, therefore, in the direction of further reducing the compliance burden for taxpayers.

Source: <https://www.gst.gov.in/newsandupdates/read/520>

Professional Misconduct By The Company Secretaries In Practice Under Part I of The First Schedule to The Company Secretaries Act, 1980



The expression “*professional and other misconduct*” in relation to Company Secretaries as defined under section 22 of the Company Secretaries Act, 1980 shall be deemed to include any act or omission provided in any of the Schedules i.e. First and Second Schedule to the Company Secretaries Act, 1980, but nothing in this section shall be construed to limit or abridge in any way the power conferred or duty cast on the Director (Discipline) under sub-section (1) of section 21 of the Company Secretaries Act, 1980 to inquire into the conduct of any member of the Institute under any other circumstances.

Following are the acts or omissions of professional misconduct by the Company Secretaries in Practice given in Part I of the First Schedule to the Company Secretaries Act, 1980: -

1. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he allows any person to practice in his name as a Company Secretary unless such person is also a Company Secretary in practice and is in partnership with or employed by him.
2. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner, or a member of any other professional body or with such other persons having such qualifications as may be prescribed for the purpose of rendering such professional services from time to time in or outside India. *Partner includes a person residing outside India with whom a Company Secretary in practice has entered into partnership which is not in contravention of item (4) of Part I of the First Schedule to the Company Secretaries Act, 1980.*
3. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he accepts or agrees to accept any part of the profits of the professional work of a person who is not a member of the Institute. *Provided that nothing herein contained shall be construed as prohibiting a member from entering into profit sharing or other similar arrangements, including receiving any share commission or brokerage in the fees, with a member of such professional body or other person having qualifications, as is referred to in item (2) of Part I of the First Schedule to the Company Secretaries Act, 1980.”*
4. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he enters into partnership, in or outside India, with any person other than a Company Secretary in practice or such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under clause (e) of sub-section (1) of section 4 of the Company Secretaries Act, 1980

or whose qualifications are recognized by the Central Government or the Council for the purpose of permitting such partnerships.

5. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he secures, either through the services of a person who is not an employee of such company secretary or who is not his partner or by means which are not open to a Company Secretary, any professional business. *Provided that nothing herein contained shall be construed as prohibiting any arrangement permitted in terms of items (2), (3) and (4) of Part I of the First Schedule to the Company Secretaries Act, 1980.*
6. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he solicits clients or professional work, either directly or indirectly, by circular, advertisement, personal communication or interview or by any other means. *Provided that nothing herein contained shall be construed as preventing or prohibiting (i) any company secretary from applying or requesting for or inviting or securing professional work from another company secretary in practice; or (ii) a member from responding to tenders or enquiries issued by various users of professional services or organizations from time to time and securing professional work as a consequence.*
7. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he advertises his professional attainments or services, or uses any designation or expressions other than Company Secretary on professional documents, visiting cards, letterheads or sign boards, unless it be a degree of a University established by law in India or recognized by the Central Government or a title indicating membership of the Institute of Company Secretaries of India or of any other institution that has been recognized by the Central Government or may be recognized by the Council. *Provided that a member in practice may advertise through a write up setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council.*
8. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he accepts a position as a Company Secretary in practice previously held by another Company Secretary in practice without first communicating with him in writing.
9. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he charges or offers to charge, accepts or offers to accept, in respect of any professional employment, fees which are based on a percentage of profits or which are contingent upon the findings, or result of such employment, except as permitted under any regulation made under this Act.
10. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he engages in any business or occupation other than the profession of Company Secretary unless permitted by the Council so to engage. *Provided that nothing contained herein shall disentitle a Company Secretary from being a director of a company except as provided in the Companies Act, 1956 (now the Companies Act, 2013).*
11. A Company Secretary in Practice shall be deemed to be guilty of professional misconduct, if he allows a person not

being a member of the Institute in practice, or a member not being his partner to sign on his behalf or on behalf of his firm, anything which he is required to certify as a Company Secretary, or any other statements relating thereto.

CASE STUDY 1

The Complainant has *inter-alia* alleged that he was appointed as additional director of one company from March, 2014 and resolution for ratification was passed at the Annual General Meeting held in September, 2014; and the Respondent had illegally filed e-Form DIR-12 in June, 2020 for cessation of directorship of the Complainant from September, 2014. The resolution attached with Form DIR-12, purported to be passed in the meeting of Board of directors held in March, 2020, shows the cessation of the Complainant and one other from September, 2014, which in fact was the date of appointment as director of the company and resolution was passed in the Annual General Meeting held in September, 2014.

The Respondent has submitted that he did not know the company and any of its directors and has received the impugned forms from a PCS with whom he was working. It is a case of management dispute for which a petition was pending before Hon'ble National Company Law Tribunal.

The Disciplinary Committee observed that the Respondent has certified form DIR-12 for cessation of directors without verifying the records of the company. It is on record that the Complainant has signed statutory documents as a director of the company after September, 2014. The Respondent has relied on the copy of extract of minutes passed by the Board of Directors in March, 2020 in which cessation of the Complainant and one other is shown from September, 2014. The Respondent should have been cautious while relying on such resolution without knowing the company or its directors. The Respondent in his reply to the Complainant has stated that one of the directors in the company has all along played fraud with him and he is also a victim of his fraudulent actions. He supports the Complainant against him for his fraudulent activities and strict legal action as may be applicable should be initiated against him and also the positions of the Complainant and one other as directors in the company must be restored. It is also on record that the ROC has marked the company as having management dispute due to illegal and arbitrary removal of the Complainant and one other from the directorship of the company.

The Disciplinary Committee held the Respondent 'Guilty' of professional misconduct under clause (7) of Part-I of the Second Schedule to the Company Secretaries Act, 1980 as he had failed to exercise necessary due diligence and was grossly negligent in certification of form DIR-12 and passed an Order of Reprimand and Fine of Rs. 35000 (Rupees Thirty-five thousand) against the Respondent.

CASE STUDY 2

The Complainant has *inter-alia* stated that the investigation into affairs of one Group of Companies, *inter-alia* revealed that depositors were fraudulently induced to make deposits under various schemes issued by the group by offering attractive rates of returns despite an unstable business model and the financial statements of the companies were falsified and money was siphoned off/diverted /misappropriated from the

company accounts. That during the investigation, an analysis of personal bank accounts of Director, of the said Group revealed that maturity proceeds of LIC investment of Rs. 21.38 crore was credited in his savings accounts. The Respondent has admittedly signed Compliance Certificates for all companies in the said Group except two in which there was no whole time Company Secretary. The Complainant has alleged that it is evident from the investigation reports that the Respondent has done gross professional misconduct, while proceeding with the board meetings, drawing board resolutions and recording of minutes of Group and as such facilitated the misappropriation of funds by the Director.

The Respondent has *inter-alia* stated that he had joined one of the company of the said Group in December 2005. Legally, he was duty bound to act as the Company Secretary of that company only. An individual cannot hold office as Company Secretary of more than one company. However, as per the terms and conditions of appointment letter, he also had to take care of the secretarial need of the remaining companies in advisory capacity. He had no role to play in the fund management nor was he a signatory to operate the bank accounts of any of the companies under said Group. However, being a responsible officer, he had brought the bleak financial state of affairs, based on the Balance Sheet of the companies under Group to the notice of the management. The Respondent has stated that as regards the Board meetings are concerned, there is no denying of the fact that the Respondent had to strictly follow the instructions of the chairman in utter disregard to the laid down procedure for conducting the Board meeting. The Director was the sole authority to decide the outcome of the meeting and accordingly, the minutes were drawn and other Board members being employee directors were apprised of the meeting so as to put down their signature on paper. The said company was the corporate agent of Life Insurance

Corporation of India (LIC). It used to sell insurance policies to general public with the help of field agents. The idea behind corporate agency business was a cover to create goodwill in the market and convince the general public about the clean image of the Group so as to enable it to collect funds through other schemes of Group companies. For the financial years 2008-09 and 2009-10, there was shortfall in premium collection and to retain No. 1 as corporate agent, the chairman decided to invest in LIC Scheme in the name of Group companies. However, as LIC does not issue policies in the name of companies, as per advice of LIC officials, the Chairman decided to put money in LIC in his own name. The Board accorded approval. The details were incorporated in the register of contracts, showing the name of Director as interested director so far as the invested amount was concerned. In due course, the proceeds from the maturity amount were duly released by LIC in his favour, who deliberately and wilfully misappropriated the above said money and transferred it to the bank account of his relatives instead of returning the same to the respective companies.

It is observed by the Disciplinary Committee that the Respondent is 'Guilty' of professional misconduct under clause (1) and clause (3) of Part II of the Second Schedule to the Company Secretaries Act, 1980, as he held certificate of practice in contravention of the resolution of the Council of the ICSI passed, under Regulation 168 of the Company Secretaries Regulations, 1982 which prohibits members in employment from holding Certificate of Practice; and the Respondent had applied and obtained Certificate of Practice by submitting false undertaking. The Respondent pleaded guilty before the Disciplinary Committee. The Disciplinary Committee passed an order of Reprimand and Fine of Rs. 25000 (Rupees thirty five thousand) against the Respondent.

e-Card

Book Title	Author	Publisher	Price
Compendium Of Circulars Under The Companies Act 2013 (2013 TO 2021)	ICSI	ICSI	Rs. 300
Guidance Note On General Meetings (2021)	ICSI	ICSI	Rs. 300
GUIDANCE NOTE ON MEETINGS OF THE BOARD OF DIRECTORS (Amended..)	ICSI	ICSI	Rs. 300
Guidance Notes on ICSI Auditing Standards	ICSI	ICSI	Rs. 200
HANDBOOK ON THE CODE ON WAGES, 2019	ICSI	ICSI	Rs. 175

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Sustainable Development Goals (SDG) Reporting

WHAT ARE THE SDGS AND DATA REVOLUTION?

UN member states adopted a set of 17 Sustainable Development Goals (SDGs) in September 2015, to end poverty, protect the planet, and ensure prosperity for all through a new development agenda. The SDGs, also known as the Global Goals or the 2030 Agenda for Sustainable Development, address challenges that affect individuals, countries, and the world at large. The SDGs set out an ambitious agenda for countries around the world, and data is essential to help fulfill that agenda.

The UN Sustainable Development Goals are a historic commitment to take on the world's most pressing and obstinate problems. These 17 Sustainable Development Goals (SDGs) together makes up the 2030 Agenda for Sustainable Development, and are supported by 169 targets and 232 indicators.

From the beginning, the SDGs have been closely tied to the UN data revolution. The concept of the data revolution recognizes that the world now faces “an exponential increase in the volume and types of data available, creating unprecedented possibilities for informing and transforming society and protecting the environment.”



WHAT IS SDG REPORTING?

SDG Reporting refers to the act of publishing and disseminating data and statistics on the SDG indicators for key stakeholders, including UN custodian agencies, government policymakers, businesses, non-governmental organizations (NGOs) and research institutions, and the general public. It can be a valuable tool to help countries achieve their goals. The reporting process provides an opportunity for each country to evaluate its progress and effectively adjust its development strategies, inform redistribution of resources, and engage stakeholders around specific goals. SDG reporting can also be a basis for identifying data gaps, improving access to official national and subnational data and statistics, and consolidating efforts to minimize national reporting burdens.

According to the 2030 Agenda for Sustainable Development, SDG reporting is to be led by a national government and conducted in compliance with the UN's Fundamental Principles of Official Statistics. These principles are

considered a basic framework that national statistical offices and other statistical organizations must follow in recognizing official statistics as a public good.

FUNDAMENTAL PRINCIPLES OF OFFICIAL STATISTICS

Principle 1. Official statistics provide an indispensable element in the information system of a democratic society, serving the Government, the economy and the public with data about the economic, demographic, social and environmental situation. To this end, official statistics that meet the test of practical utility are to be compiled and made available on an impartial basis by official statistical agencies to honour citizens' entitlement to public information.

Principle 2. To retain trust in official statistics, the statistical agencies need to decide according to strictly professional considerations, including scientific principles and professional ethics, on the methods and procedures for the collection, processing, storage and presentation of statistical data.

Principle 3. To facilitate a correct interpretation of the data, the statistical agencies are to present information according to scientific standards on the sources, methods and procedures of the statistics.

Principle 4. The statistical agencies are entitled to comment on erroneous interpretation and misuse of statistics.

Principle 5. Data for statistical purposes may be drawn from all types of sources, be they statistical surveys or administrative records. Statistical agencies are to choose the source with regard to quality, timeliness, costs and the burden on respondents.

Principle 6. Individual data collected by statistical agencies for statistical compilation, whether they refer to natural or legal persons, are to be strictly confidential and used exclusively for statistical purposes.

Principle 7. The laws, regulations and measures under which the statistical systems operate are to be made public.

Principle 8. Coordination among statistical agencies within countries is essential to achieve consistency and efficiency in the statistical system.

Principle 9. The use by statistical agencies in each country of international concepts, classifications and methods promotes the consistency and efficiency of statistical systems at all official levels.

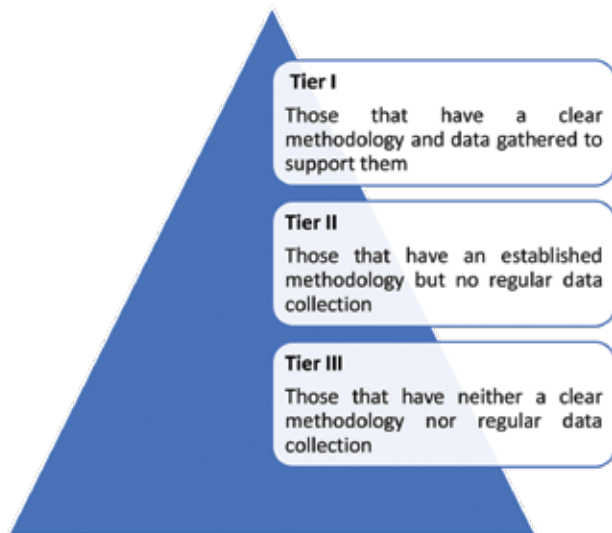
Principle 10. Bilateral and multilateral cooperation in statistics contributes to the improvement of systems of official statistics in all countries.

THE GLOBAL SDG INDICATORS

Following the development of the Sustainable Development Goals (SDGs), the UN Inter-agency Expert Group on

Sustainable Development Goals (IAEG-SDGs), led by the UN Statistical Commission, identified 242 global indicators to monitor progress toward achieving the 17 goals and their 169 associated targets.

The IAEG categorized the indicators in three tiers:



CURRENT APPROACHES TO SDG REPORTING

There are many options for reporting on the SDGs to meet the needs of countries. Countries typically adopt one of three models to reporting on the SDGs:

- Incorporating SDG reporting within an existing national website or platform.
- Developing an entirely new platform dedicated to providing data on the SDGs.
- Providing their data to a regionally-maintained platform.

Several are repurposing and adapting platforms that were utilized to report on the Millennium Development Goals (MDGs).

THE INDIAN SCENARIO: THE SDG INDIA INDEX

The SDG India Index 2020–21, developed in collaboration with the United Nations in India, is the third edition of the SDG India Index released by NITI Aayog which tracks progress of all States and UTs on 115 indicators that are aligned to Ministry of Statistics and Programme Implementation’s National Indicator Framework (NIF). Since its inaugural launch in 2018, the index has been comprehensively documenting and ranking the progress made by States and Union Territories towards achieving the Sustainable Development Goals. Now in its third year, the index has become the primary tool for monitoring progress on the SDGs in the country and has simultaneously fostered competition among the States and Union Territories.

The SDG India Index 2020–21 is more robust than the previous editions on account of wider coverage of targets and indicators with greater alignment with the NIF. The 115 indicators incorporate 16 out of 17 SDGs, with a qualitative assessment on Goal 17, and cover 70 SDG targets. This is an improvement over the 2018–19 and 2019–20 editions of the index, which had utilised 62 indicators across 39 targets and 13 Goals, and 100 indicators across 54 targets and 16 Goals, respectively.

REFERENCE :

- <https://www.sdgreporting.org/topic/sdg/#top>
- <https://unstats.un.org/unsd/dnss/gp/FP-Rev2013-E.pdf>
- <https://pib.gov.in/PressReleasePage.aspx?PRID=1723952>

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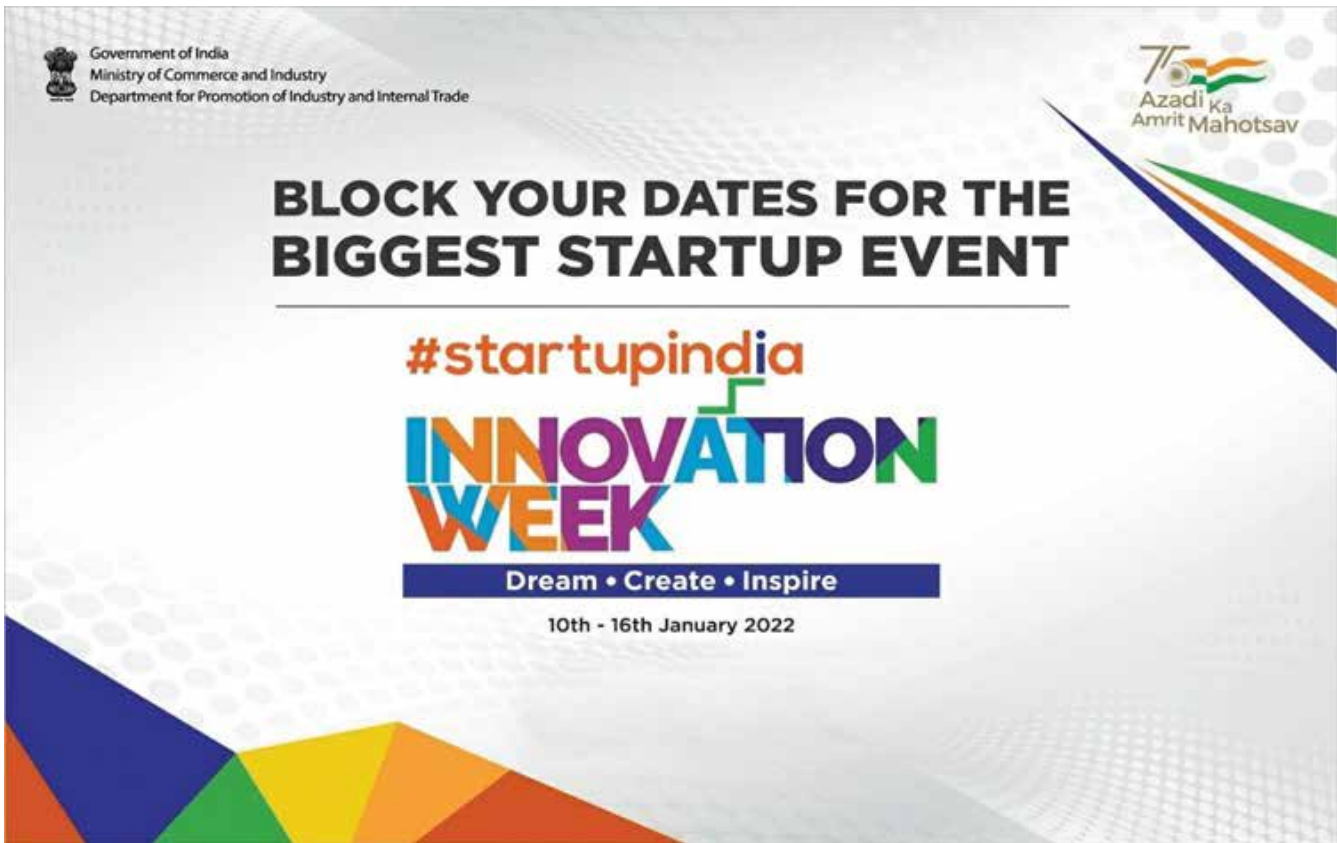
‘Chartered Secretary’ has been constantly striving to achieve Excellence in terms of Coverage, Contents, Articles, Legal Cases, Govt. Notification etc. for the purpose of knowledge sharing and constant updation of its readers. However, there is always a scope for new additions, improvement, etc.

The Institute seeks cooperation of all its readers in accomplishing this task for the benefit of all its stakeholders. We solicit your views, opinions and comments which may help us in further improving the varied segments of this journal. Suggestions on areas which may need greater emphasis, new sections or areas that may be added are also welcome.

You may send in your suggestions to the Editor, Chartered Secretary, The ICSI at nitin.jain@icsi.edu.

#startupindia

Startup India Innovation Week



I see startups, technology and innovation as exciting and effective instruments for India's transformation. – Hon'ble Prime Minister of India.

The Department for Promotion of Industry and Internal Trade (DPIIT) organized the first ever Startup India Innovation Week from 10th to 16th January 2022, which reminisced the 75th year of India's Independence "Azadi Ka Amrit Mahotsav", bolstered the startup momentum, showcased the self-reliance to the economic vision, & development in the country through entrepreneurship.

The Startup India Innovation week witnessed participation of over 150000 delegates enthusiastically attending 60+ key sessions, with 700+ startups showcasing their innovations at the exhibition. 75 Problem Statements from 11 corporates have been made open for startups during this event to engage and contribute with innovative solutions. 250 startups were given an opportunity to present their pitches to an esteemed panel of 90+ investors.

A Global VC session was also conducted with the aim to mobilize domestic and global capital for Indian startups, chaired by the Hon'ble Commerce and Industry Minister, Shri Piyush Goyal. The roundtable saw active participation from 75 key industry leads and investors from Indian and Global ecosystems representing north of USD 30 billion Assets Under Management (AUM).

Various initiatives were announced at Startup India Innovation Week with a mission to drive further innovation, including the Amrit Grand Challenge – Jan Care, ONDC National Rollout Strategy, Fisheries Grand Challenge, Startup Champions 2.0, and Digilocker - a blockchain enabled certificate verification platform.

The Hon'ble Prime Minister Shri Narendra Modi interacted with Startups with the aim to understand how startups can contribute to the national needs by driving innovation in the country. Startups from various sectors including Agriculture, Health, Enterprise Systems, Space, Industry 4.0, Security, Fintech, Environment were part of this interaction. More than 150 startups were divided into six working groups based on themes including Growing from Roots; Nudging the DNA; From Local to Global; Technology of Future; Building Champions in Manufacturing; and Sustainable Development. Each group made a presentation before the Prime Minister on the allotted theme in the interaction.

The Hon'ble Prime Minister during his interaction with startups, declared 16th January as "National Startup Day" to acknowledge and support the invaluable contribution of Indian entrepreneurs towards the growth of the country's economy, and to recognise India's thriving entrepreneurial ecosystem and celebrate success & failure of startups.



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