



## CS Update

December 27, 2011



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PREVIOUS ISSUES OF CS UPDATE ARE AVAILABLE AT THE FOLLOWING LINK:

<http://www.icsi.edu/Member/CSUpdate/tabid/1635/Default.aspx>

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# FROM ICS!



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## THE COMPANY SECRETARIES (AMENDMENT) BILL, 2010

*We are happy to inform that both the The Company Secretaries (Amendment) Bill, 2010 Houses of Parliament, i.e., Rajya Sabha (on December 12, 2011) and Lok Sabha (on December 19, 2011) have passed the Company Secretaries (Amendment) Bill, 2010 which is awaiting assent of the Hon'ble President of India.*

The Company Secretaries (Amendment) Bill, 2010 proposes to amend the Company Secretaries Act, 1980 to apply certain provisions of the Limited Liability Partnership Act, 2008 to the Company Secretaries Act, 1980 in order to allow the members of the professional Institute governed by the Company Secretaries Act, 1980 to form the limited liability partnership and insert new definitions of 'firm', 'partner', 'partnership' and 'sole proprietorship' for the said purpose. It will enable the members of the CS Institute to form LLPs and take benefits of provisions of the LLP Act. This will also enlarge the spectrum of the services provided by members of the CS Institute and will also ensure the competitiveness of the members of the Institute.

The Company Secretaries (Amendment) Bill, 2010 was introduced in the Rajya Sabha on 28<sup>th</sup> April, 2010 and referred to the Standing Committee on Finance by the Speaker of the Lok Sabha on 4<sup>th</sup> May, 2010 for examination and report thereon. The Committee vide its report dated 26<sup>th</sup> August, 2010 expressed agreement with the Amendment proposal of the Bill and recommended the same for consideration.

The Company Secretaries (Amendment) Bill, 2010 was discussed and passed in Rajya Sabha on 12<sup>th</sup> December, 2011 and introduced and passed by Lok Sabha on 19<sup>th</sup> December, 2011 along with the Chartered Accountants (Amendment) Bill, 2010 and Cost and Works Accountants (Amendment) Bill, 2010.

The amendments proposed in the Company Secretaries (Amendment) Bill, 2010 are as under: -

1. Amendment to section 2 (2) of the Principal Act (the Company Secretaries Act, 1980) to insert in sub-section (1) after clause (f), clauses (fa) (gb) (gc) and (jj) to define the terms firm, partner, partnership and sole proprietorship as per details given below: -

‘(fa) ‘firm’ shall have the meaning assigned to it in section 4 of the Indian Partnership Act, 1932, and includes, -

- (i) The limited liability partnership as defined in clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008; or





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(ii) The sole proprietorship,

registered with the Institute;'

`(gb) `partner' shall have the meaning assigned to it in section 4 of the Indian Partnership Act, 1932 or in clause (q) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008, as the case may be;'

`(gc) `partnership' means –

(A) a partnership as defined in section 4 of the Indian Partnership Act, 1932; or

(B) a limited liability partnership which has no company as its partner;'

`(jj) `sole proprietorship' means an individual who engages himself in the practice of the profession of the Company Secretaries or offers to perform services referred to in clauses (b) to (f) of sub-section (2);'

2. Amendment to Section 26 to add explanation to section 26 of the Act to clarify that the company includes any limited liability partnership having company as its partner as under: -

"Explanation – For the removal of doubts, it is hereby declared that the `company' shall include any limited liability partnership which has company as its partner for the purposes of this section."

The Bill will become an Act on receipt of assent of the President.

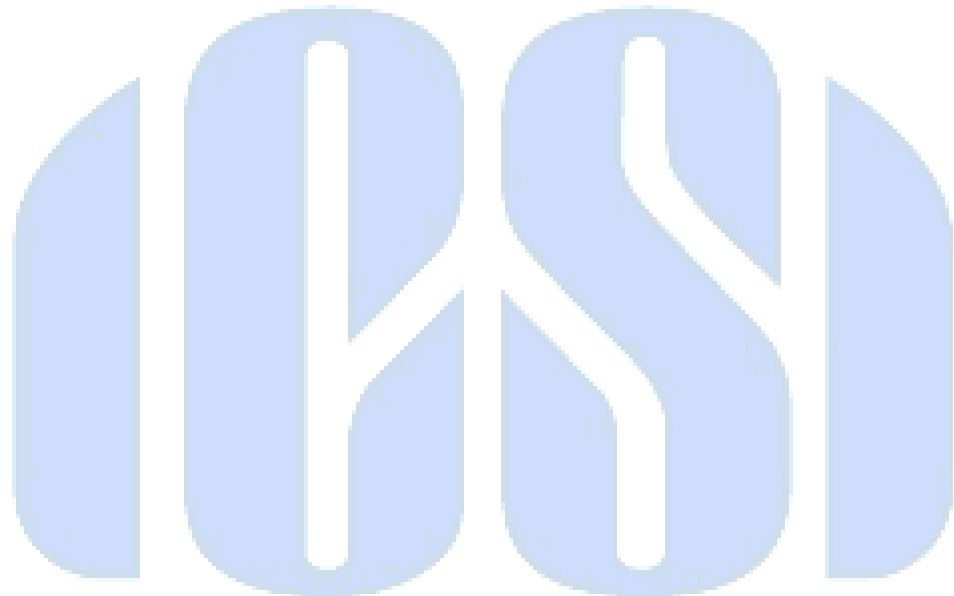
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## HIGHLIGHTS OF THE COMPANIES BILL, 2011

Detail can be accessed at:

<http://www.icsi.edu/WebModules/LinksOfWeeks/HIGHLIGHTS-COMPANIES%20BILL2011.pdf>

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## REQUEST TO FILE BALANCE SHEET IN XBRL AT THE EARLIEST TO AVOID LATE FEE

Dear Member,

A select class of companies have to file their financial statements for financial year 2010-11 using eXtensible Business Reporting Language (XBRL) vide "Companies (Filing of Documents and Forms in eXtensible Business Reporting Language) Rules, 2011".

Owing to fervent requests from stakeholders, last date of XBRL filings by a company have been extended up to 31.12.2011 or within 60 days from its due date of filing, whichever is later, without any additional fees vide the Ministry's Circular No. 69/2011 dated 30.11.2011. **Please note that companies filing after expiry of this extended timeline would be charged additional fee as per their normal 23AC and 23ACA filings. i.e., late fee for such companies would be calculated with effect from original due date of filing.**

You are therefore advised to ensure that your company files its financial statements in XBRL at the earliest.

For further information, kindly visit MCA website [www.mca.gov.in](http://www.mca.gov.in).

Regards

N.K. Jain

Secretary & CEO

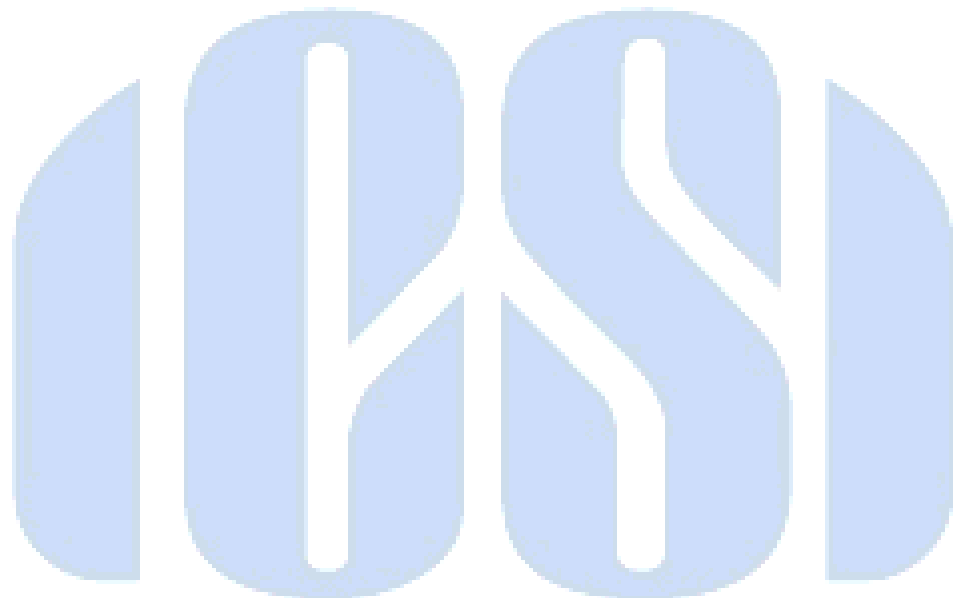
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## FAQs ON PEER REVIEW

Details can be accessed at:

<http://www.icsi.edu/WebModules/LinksOfWeeks/FAQ-PRB.pdf>

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## GUIDELINES FOR PEER REVIEW OF ATTESTATION SERVICES BY THE PRACTISING COMPANY SECRETARIES

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REGD. NO. D. L.-33004/99



सं. 204]  
No. 204]

नई दिल्ली, मंगलवार, अक्टूबर 18, 2011/आश्विन 26, 1933  
NEW DELHI, TUESDAY, OCTOBER 18, 2011/ASVINA 26, 1933

**THE INSTITUTE OF COMPANY SECRETARIES OF INDIA**  
In pursuit of Professional Excellence  
"Statutory Body under an Act of Parliament"

### NOTIFICATION

New Delhi, the 17th October, 2011

**ICSI No. 1 of October, 2011.**— The Council of the Institute of Company Secretaries of India pursuant to the Company Secretaries Act, 1980, as amended by the Company Secretaries (Amendment) Act, 2006 has issued the following Guidelines for Peer Review of Attestation Services by the Practising Company Secretaries, namely: -

#### 1. Introduction

The Company Secretaries Act, 1980 (the Act) was enacted to make provision for the regulation and development of the profession of Company Secretaries, the Institute of Company Secretaries of India set up under the said Act has been conducting examinations and prescribing standards for adherence by its members. The concept of whole-time practice, which gained its initial recognition in 1988, has gained momentum after the enactment of the Companies (Amendment) Act, 2000 which required Compliance Certificate to be issued by Practising Company Secretary for certain size of companies. Our members in practice are also being recognised for issuing certificates under various laws.

Excellence is the hallmark of success in a competitive environment. The performance can be judged and enhanced to that level of excellence only by evaluation by a competent professional. The Council of the Institute, therefore, decided to introduce Peer Review for Practising



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Company Secretaries to periodically review the PCS firms and evaluate the quality, sufficiency of systems, procedures and practices, so that excellence in their performance is maintained.

The Council of the Institute has been constituted under the Company Secretaries Act, 1980 for discharging the functions assigned to the Institute under the Act. Section 15 of the Act provides that "the duties of carrying out the provisions of this Act shall be vested in the Council" and enumerates various duties of the Council. With a view to regulate the profession of Company Secretaries and in terms of the powers vested, the Council is thus authorised to issue these guidelines for Peer Review. These guidelines serve as a mechanism intended to further enhance the quality of professional work of Practising Company Secretaries over a period of time, thereby ensuring that the profession of Company Secretaries continues to serve the society in the manner envisaged.

## 2. Objectives

2.1 The main objective of Peer Review is to ensure that in carrying out their attestation services and professional assignments, the PCS (a) comply with the Technical Standards laid down by the Institute and (b) have in place proper systems (including documentation systems) for maintaining the quality of the attestation services work they perform. The Council has specified in these guidelines for Peer Review, the Technical Standards in relation to which peer review is to be carried out. Peer review does not seek to redefine the scope and authority of the Technical Standards specified by the Council but seeks to enforce them within the parameters prescribed by the Technical Standards.

2.2 Peer Review is directed towards maintenance as well as enhancement of quality of attestation services and to provide guidance to members to improve their performance and adhere to various statutory and other regulatory requirements. Essentially, through a review of attestation services engagement records, peer review identifies the areas where a practising member may require guidance in improving the quality of his performance and adherence to various requirements as per applicable technical Standards.

2.3 These guidelines provide a framework of the Peer Review process and the requirements of what is expected of a member during the conduct of a peer review.

2.4 These guidelines may be called the "Guidelines for Peer Review of Attestation Services by Practising Company Secretaries".

2.5 These guidelines shall be applicable w.e.f. 1st October. 2011.

## 3 . Key Definitions - For the purpose of these guidelines,

3.1 *Attestation Services* - Means services involving the secretarial audit issuing of various certificates, but does not include:



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- Management consulting Engagement;
- Representing a client before the Authorities;
- Testifying as expert witness; and
- Providing expert opinion on points of principle, such as secretarial standards or the applicability of certain laws, on the basis of facts provided by the client,
- The phrase 'Attestation Services' is used in these guidelines interchangeably with secretarial or compliance audit Services, Attestation Functions and secretarial audit functions.

3.2 *Member* - Means a member of the Institute of Company Secretaries of India.

3.3 *Practice Unit* - Means members in practice, whether practicing individually or a firm of Company Secretaries.

3.4 *Peer Review* - Means an examination and review of the systems, procedures and practices to determine whether they have been put in place by the practice unit for ensuring the quality of attestation services as envisaged and implied/ mandated by the Technical Standards and whether these were effective or not during the period under review.

3.5 *Peer Review Board* - Means a Board established by the Council in terms of these Guidelines to conduct peer review. The expression "Peer Review Board" is hereinafter referred to as "Board".

3.6 *Regulator* - Means Government or any regulatory body constituted by the Parliament or State Legislature who is/are empowered to regulate the Acts which include various attestation services which the Council may, from time to time, prescribe to cover as attestation services for the purpose of peer review.

3.7 *Reviewer* - Means any member engaged to carry out peer review of practice unit from the panel of reviewers. –

3.8 *Technical Standards* - Mean and include:

- Secretarial Standards issued by the Institute of Company Secretaries of India, wherever mandatory;
- Guidance Notes on Secretarial Standards issued by the Institute of Company Secretaries of India;
- Compliance of the Guidance Notes issued by the Institute of Company Secretaries of India;
- Notifications/Directions issued by the Council of Institute of Company Secretaries of India; and
- Compliance of the provisions of the various relevant Statutes and/or Regulations, which are applicable in the context of the specific engagements being reviewed.

3.9 *Qualified Assistant* - means a person assisting the reviewer for carrying out peer review, who is a member of the Institute and has undergone adequate training in the manner considered appropriate by the Board in terms of clause 15.1 of the Guidelines.





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3.10 Words and expressions used and not defined in these guidelines shall have the meanings assigned to them under the Company Secretaries Act, 1980 and the Company Secretaries Regulations, 1982 framed thereunder.

#### 4. Authority of the Guidelines on Peer Review

4.1 The guidelines on Peer Review shall apply to all or any of the following cases :

- (a) Whenever a peer review is mandated
- (b) Whenever a peer review is requested
- (c) Whenever peer review is conducted.

4.2 The Guidelines on Peer Review are issued in relation to conduct of members in attestation services;

- to promulgate an appropriate mechanism for ensuring the quality of attestation services and guide the members to conduct themselves in a manner that the Council considers appropriate;
- to provide guidance in relation to the statutory powers and obligations with respect to the parties involved in peer review;
- to prescribe the scope of peer review and the procedures to be adopted during the conduct of a peer review: and
- to establish the expected conduct of members during a peer review.

#### 5. Powers of the Council

- To constitute the Board and to fill in the vacancies arising in the Board from time to time.
- To decide upon, from time to time, the Technical Standards the implementation of which fall within the purview of the peer review process.
- To refer such matters to the Board as the Council may deem fit.

#### 6. Peer Review Board

##### 6.1 Establishment and Appointment

- (1) The Board shall be established by the Council.
- (2) The Board shall consist of a maximum of seven members to be appointed by the Council, of whom at least four shall be from amongst the Members of the Council.
- (3) The balance members of the Board shall be drawn from amongst prominent members of high integrity and reputation, including but not limited to former public officials, regulatory authorities etc.
- (4) The Council shall appoint the Chairman and the Vice-Chairman from amongst the Members of the Council.
- (5) At least one-half of Council Members on the Board shall hold Certificate of Practice.
- (6) The tenure of the Peer Review Board shall be co-terminus with the tenure of the Council and the term of a member shall be for such period as may be prescribed by the Council.
- (7) Any vacancy(ies) on the Board shall be filled in by the Council.



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- (8) Members of the Disciplinary Committee of the Institute of Company Secretaries of India shall not concurrently serve on the Board.

## 6.2 Meetings

- (1) No business shall be transacted at a meeting of the Board unless there are present at least three members, including the Chairman or in his absence, the Vice-Chairman,
- (2) If there is no quorum within half an hour of the time fixed for the meeting, the meeting shall stand adjourned to a date, time and place fixed by the Chairman or in his absence, the Vice-Chairman.
- (3) The Board shall meet not less than four times in a year.

## 6.3 Reporting

The Board shall submit proceedings of the meeting of the Board within 30 days from the date of the meeting to the Council.

## 7. Scope of Peer Review

7.1 The peer review process is directed at the attestation services of a practice unit.

- (1) Once a practice unit is selected for review, its attestation engagement records pertaining to the immediately preceding financial year shall be subjected to review. Provided that the records of attestation services relating to years prior to the financial year beginning 1.04.2004 shall not be subjected to review.
- (2) The Review shall focus on:
  - (i) Compliance with Technical Standards.
  - (ii) Quality of Reporting.
  - (iii) Office systems and procedures with regard to compliance of attestation services systems and procedures.
  - (iv) Training Programs for staff (including apprentices) concerned with attestation functions, including appropriate infrastructure.

## 8. Powers of the Board

8.1 The duty of carrying out the provisions of these guidelines shall be vested in the Board.

8.2 In particular, and without prejudice to the generality, of the foregoing powers, the duties of the Board shall include:

- (1) To call for information from practice units in such form as it deem fit.
- (2) To maintain a panel of Reviewers.
- (3) To define the terms of appointment of the reviewers.
- (4) To send a Panel of at least three reviewers (from the Board's own panel) to the practice unit and allow the practice unit to choose any one reviewer from the panel so forwarded to it: Provided that in case the practice unit would like to have reviewers from another State/Region (and undertakes to bear the extra costs that would be incurred for TA/DA etc.) and none of the reviewers as identified





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by the Board for the practice unit are from outside the place of business of the practice unit, then the practice unit may make a special request to the Board to provide names of reviewers from outside the State/Region where the practice unit has his place of business.

- (5) To examine the aspects of basis of selection of records pertaining to the attestation services in terms of the appropriate Technical Standards.
- (6) To arrange for such training programs for reviewers as may be deemed appropriate;
- (7) To prescribe the system, practice and procedure to be observed in relation to peer reviews; and
- (8) On considering the Report of a reviewer, to do any or all of the following:
  - (a) To issue recommendations to the practice unit;
  - (b) To order a further peer review to be carried out;
- (9) After considering the report of the reviewer and compliance of recommendations by the Practice Unit, wherever deemed appropriate by the Board, to issue Peer Review Certificate.
- (10) To guide the members on best practices on peer review.

8.3 Where deemed appropriate, after the conclusion of a cycle of reviews or at the end of each such period as may be determined, the Board shall have the powers to make a Special Report to the Council on:

- (i) General issues regarding the level of implementation and adherence to Technical Standards amongst practice units.
- (ii) Its own suggestions for further improvement in quality of attestation services.

8.4 The Board may perform any other thing or act as may be incidental to, or which it considers necessary or expedient for the performance of its functions, or exercise of its powers as delegated to it by the Council, including the formation of subcommittees and regional benches of the Board for specific tasks.

## 9. Compliance with Peer Review Guidelines

9.1 Practice units are required to comply with the provisions of these guidelines. Practice units failing in this regard will be required to undergo appropriate review of their quality controls by the Board in terms of such specific directions as may be given to it by the Council in these regards from time to time, and as intimated to the members

## 10. Qualifications of the Reviewer

10.1 The nature and complexity of peer review require the exercise of professional judgement. Accordingly, an individual serving as a reviewer shall:-

- (a) Be a member;
- (b) Possess at least ten years experience; and

(c) Be currently in the practice as Company Secretary in Practice.

10.2 The Board may examine the quality of the report and shall have powers to remove the reviewer from the panel of reviewers in case the quality of the review/report fails to match the desired standards.

## 11. Members/ Firms Subject to Review

11.1 Peer review will be implemented on the basis of random selections from the practice units or at the request of practice unit.

11.2 If company/concern requests the Board for the conduct of peer review of its secretarial auditor (practice unit), the Board shall take due cognizance of such request and in that case the cost of the peer review shall be borne by such company/ concern.

11.3 If Council / Government or any regulatory body requests the Board for conduct of peer review of any Practice Units, the Board shall take due cognizance of such request and in that case the cost of peer review shall be borne by the referred practice unit.

11.4 The Peer Review Board may alter/change/modify the above method of selection with prior approval of the Council.

## 12. Obligations of the Practice Unit

12.1 Provisions of access to any record or document to a reviewer:

(1) Any person to whom this clause applies and who is reasonably believed by a reviewer to have in his possession or under his control any record or other document, which contains or is likely to contain information relevant to the peer review shall:

- (i) Produce to the reviewer or afford him access to any record or document specified by the reviewer or any other record or document which is of a class or description so specified, and which is in his possession or under his control/being in either case a record or other document which the reviewer reasonably believes is or may be relevant to the peer review, within such time as the reviewer may reasonably require;
- (ii) If so required by the reviewer, afford and provide to him such explanation or further particulars in respect of anything produced in compliance with a requirement under sub clause (i) above, as the reviewer shall specify; and
- (iii) Provide to the reviewer all assistance in connection with peer review which he is expected to provide.

(2) Where any information or matter relevant to a practice unit is recorded otherwise than in a legible form, the practice unit shall provide and present to the reviewer a reproduction of any such information or matter, or of the relevant part or it in a legible form, with a suitable translation in English if the matter is in any other language, and such translation is requested for by the reviewer.

(3) The practice unit shall ensure that the reviewer is given access to all documents relevant to his review no matter which office of the practice



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unit these documents may be available in, in case the practice unit has more than one office.

(4) A practice unit shall allow the reviewer to inspect, examine or take any abstract of or extract from a record or document or copy there from which may be required by the reviewer.

12.2 For the purpose of this clause a person means a Partner/ Sole Proprietor of the practice unit to which the particular review relates or any person employed by or whose services are engaged by such unit.

### 13. Periodicity of Peer Review

13.1 The peer review of every practice unit should be mandatorily carried out at least once in a block of five years. However, if the Board so decides or otherwise at the request of the practice unit, the peer reviews for a practice unit can be conducted at shorter intervals.

### 14. Cost of Peer Review

14.1 The cost of Peer Review for reviewer and his qualified assistant(s) as may be decided by the Board from time to time, shall be borne by the Practice unit. In case reviewer has to conduct second review, the same rate would apply to the second review also. Each of the branch/ office under review would be considered separately.

### 15. Training and Development

15.1 To ensure that the objective of peer review is attained in letter and spirit, adequate training facilities shall be provided, from time to time, to the Reviewer(s) and other persons who assist the Board as and when and in the manner considered appropriate by the Board. Reviewers shall be expected to be fully familiar with all procedures, prescriptions, guidelines and other decisions as may be issued by the Board from time to time.

### 16. Review Framework

16.1 Essentially, a peer review entails a review of attestation engagement records and related financial/other statements to ascertain that the practice unit is adhering to Technical Standards. Where a practice unit is not following Technical Standards in certain situations, suggestions and recommendations for improvement may be made, and possibly followed by a further review, in keeping with the primary thrust of peer review.

16.2 The methodological approach involved in peer review can be defined in terms of three stages viz. planning, execution and reporting, which are summarized below;

#### (i) Planning

- **Intimation** - A practice unit will be intimated in writing about an impending peer review and will be sent a Questionnaire for





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completion together with a panel of three suggested names of reviewers. The practice unit will have to give its choice of reviewer within a period of 15 days from the day of receipt of the panel sent by the Board.

- **Return of completed Questionnaire** - The practice unit shall have to complete and return the Questionnaire to the reviewer within one month of receipt. The information will be used for the planning of the review. In addition, practice units will be required to enclose a complete list of their attestation services clients, and to provide any other information the reviewer considers necessary to facilitate the selection of a sample of attestation services engagements, representative of the practice unit's client portfolio, for review.

## (ii) Sample of Attestation services Engagements

- (a) from the complete attestation services client list, an initial sample will be selected by the reviewer. Practice units will be intimated of the selection in writing about two weeks in advance, requesting the relevant records of the selected attestation services clients to be made available for review.
- (b) At the execution stage, the initial sample may be reduced to a smaller actual sample for review. However, if the reviewer considers that the actual sample does not cover a fair cross-section of the practice unit's attestation services engagements, he may make further selections.

## (iii) Confirmation of visit

In consultation with the practice unit date(s) will be set for the on-site review to be carried out. Flexibility will be permitted to ensure that members are not inconvenienced at especially busy periods. The on-site review date(s) will be arranged by mutual consent such that the review is concluded within sixty days of intimation.

- (i) Peer review visits will be conducted at the practice unit's head office or other officially noted/recorded place of office. The complete on-site review of a practice unit may take at least a full day depending upon the size of the practice unit. This is based on the assumption that the practice unit concerned has made all the necessary information and documentation available to the reviewer for his review. However, in any case this on-site review should not extend beyond three working days.

## (ii) Initial meeting

An initial meeting will be held between the reviewer and a partner/sole proprietor of the practice unit designated to deal with the review (designated partner). The primary purpose of this meeting is to confirm the accuracy of the responses given in the Questionnaire. The description of the system in the Questionnaire may not fully explain all the relevant procedures and policies adopted by the practice unit and this initial meeting can provide additional information. The reviewer should have a full

understanding of the system and be able to form a preliminary evaluation of its adequacy at the conclusion of the meeting.

### (iii) Compliance Review-General Controls

(a) The reviewer may carry out a compliance review of the General Controls and evaluate the degree of reliance to be placed upon them. The degree of reliance will, ultimately, affect the attestation services engagements to be reviewed. The following five key controls will be considered as General Controls:

- Independence
- Maintenance of Professional Skills and standards
- Outside Consultation
- Staff Supervision and Development
- Office Administration

Practice units are expected to address each of the five key control areas.

(b) In each key control area there shall be supplementary questions and matters to consider. These are intended to ensure that the kind of controls that are expected to be maintained, are installed and operated within practice units.

(c) All questions in the questionnaire may not necessarily be relevant to particular types of practice units because of the size and culture etc. However, practice units should still assess their internal control systems to ascertain whether they address the objectives under the five key control areas.

### (iv) Selection of attestation services engagements to be reviewed

(a) The number of attestation services engagements to be reviewed depends upon:

- The number of practicing members involved in attestation services engagements in the practice unit;
- The degree of reliance placed, if any, on general quality controls; and
- The total number of attestation services engagements undertaken by the practice units for the period under review.

(b) The engagements reviewed should be a balanced sample from a variety of different types of companies. Accordingly, if the reviewer considers that the actual sample is not representative of the practice unit's attestation services client portfolio, he may make further selections from the initial sample or from the complete attestation services client list.

### (v) Review of records

The reviewer may adopt a compliance approach or substantive approach or a combination of both in the review of attestation services engagement records.



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- (a) Compliance approach-Attestation services Engagements
  - The compliance approach is to assess whether proper control procedures have been established by the practice unit to ensure that attestation services are being performed in accordance with Technical Standards.
  - Practice units should have procedures and documentation sufficient to cover each of the key areas. Members in smaller practices may find some of the documentation too elaborate for most of their clients and so should tailor their attestation services documentation to suit their particular circumstances with justification for doing so provided to the reviewer.
- (b) Substantive approach-Attestation services Engagements

A substantive approach will be employed if the reviewer chooses not to place reliance on the practice unit's specific controls on attestation engagements or is of the opinion that the standard of compliance is not satisfactory. This approach requires a review of the attestation working papers in order, to establish whether the attestation work has been carried out as per norms of Technical Standards.

### 16.3 Reporting

#### (i) Preliminary Report of Reviewer

- At the end of an on-site review, the reviewer shall, before making his report to the Board, communicate a preliminary report to the practice unit. The reviewer shall report on the areas where systems and procedures had been found to be deficient or where he has noticed non-compliance with reference to any other matter.
- The reviewer shall not name any individual in his reports.
- The practice unit shall have 21 days beginning the day after the day the preliminary report is received, by the practice unit from the reviewer to make any submissions or representations, in writing to the reviewer, concerning the preliminary report.

#### (ii) Interim Report of Reviewer

- (a) If the reviewer is satisfied with the reply received from the practice unit, he shall submit an appropriate Report to the Board. In case the reviewer is not satisfied with the reply of the practice unit, the reviewer shall accordingly submit his Interim Report to the Board.
- (b) In pursuance of the provisions contained in the above clause or on receipt of a request from the practice unit, the Board may instruct the reviewer to - again carry out the review after six months to verify that systems and procedures have been streamlined and accordingly, on being satisfied, submit a report to the Board.
- (c) On receiving a report from a reviewer in terms of these, the Board, having regard to the Report and any submissions or representations attached to it, may:



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- make recommendations to the practice unit concerned regarding the application by it of Technical Standards;
- if it is of the opinion that
  - (1) In case the review is related to a firm, any one or more or all of the partners in the firm may have failed to observe, maintain or apply, as the case may be, Technical Standards;
  - (2) In case the review is related to a member practicing on his own account, the member may have failed to observe, maintain or apply, as the case may be, Technical Standards;  
Then;
  - (3) Issue instructions to the reviewer to carry out, within such period as may be specified in the instructions (which period shall not commence earlier than six months after the date on which the instruction is issued), a further peer review as regards the practice unit to which the report relates; and
  - (4) Specify in the instruction, the matters as regards which the review is to be carried out;

(d) The Board will make recommendations to the practice unit where:

Based on the report of the reviewer, it appears that the practice unit has satisfied all key control objectives, which the Board has determined and/or prescribed in respect of maintenance of/adherence to Technical Standards but where further improvements could be made to internal quality control systems; and

Based on the report of the reviewer, it appears that the practice unit has satisfied the major key control objectives but some weaknesses exist in others. The practice unit is expected to consider the recommendations for rectifying the weaknesses thus identified and informed by the Board and take all necessary actions to ensure that all key control areas are addressed.

(e) A follow up review will be required where the practice unit has not satisfied the Board that all the key control objectives have been maintained and where, in the view of the Board the deficiencies are likely to materially affect the overall quality of an attestation services engagement of the practice unit. In such cases the Board will also make recommendations, which it expects the practice unit to implement in order to ensure the maintenance of Technical Standards. The implementation of these recommendations will be examined during the follow up review.

(f) In case the reviewer is not satisfied even at the subsequent review, he shall submit his Report to the Board incorporating his reasons for dissatisfaction.

(iii) final Report of Reviewer



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(a) The reviewer will prepare a final Report to the Board (the Reviewer's Report), incorporating the findings as discussed with the practice unit. The final report will be examined/inspected by the Board in terms of the degree of compliance with the Technical Standards by the reviewed practice unit. The model forms of such final Reports shall be communicated to the reviewer by the Board.

(b) The Board shall consider the reviewer's final report and the practice unit's submissions. Thereafter, the Board may issue recommendations, if considered appropriate, to the practice unit and/or instruct the Reviewer to perform any follow-up action. The Board may, if deemed fit, then issue Peer Review Certificate to the practice unit.

(iv) The reviewer shall not communicate any Report(s) unless the examination of such Report(s) and related records has been made by him or by a partner or an employee of his firm.

## 17. Referral of Disputes and Appeal

17.1 Where a dispute arises over the powers of reviewers or the process or conclusions reached after the review or to any other matter related to the review, the practice unit, the reviewer or both may refer the dispute, in writing, to the Board. Such referral shall have to be made within two months in such manner as may be prescribed by the Board in these regards.

17.2 Where a dispute is referred, after considering any submissions or representations (which shall be made in writing) made by the relevant practice unit and/or the relevant reviewer, the Board-

- Shall decide the dispute within six months and communicate such decision to each of the parties to the dispute;
- May issue directions relating to the matter in dispute to such practice unit or the reviewer concerned and require such unit or reviewer to comply with them;
- Shall convey its decision in these regards to the appellant within 15 days from the date of the decision, so as to provide the appellant sufficient time to respond.

17.3 Where a practice unit is dissatisfied with the decision of the Board, it may refer the matter to the Council within two months in such manner as may be prescribed.

## 18. Immunity

18.1 A practice unit, which makes available records or documents to a reviewer, shall not incur any liability under the Code of Conduct under the Company Secretaries Act, 1980 and the Regulations framed thereunder, by reason of compliance with these Guidelines on Peer Review .

18.2 The reviewer, by virtue of carrying out the peer review shall not incur any liability other than the liability arising out of his own conduct under the Code of Conduct under the Company Secretaries Act, 1980 and Regulations framed thereunder as well as under the relevant clauses of these Guidelines.





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18.3 The members of the Peer Review Board shall not incur any liability by virtue of their having discharged the responsibilities as given in these Guidelines and/or as may in future be specified by the Council, other than the liability arising out of their own conduct under the Code of Conduct under the Company Secretaries Act, 1980 and Regulations framed thereunder as well as under the relevant clauses of these Guidelines.

## 19. Confidentiality

19.1 Strict confidentiality provisions shall apply to all those involved in the peer review process, namely, reviewers, members of the Board, the Council, or any person who assists any of these parties.

19.2 Those persons subject to the secrecy provision:

(1) Shall at all times after his/ their appointment preserve and aid-in preserving secrecy with regard to any matter coming to his/ their knowledge in the performance or in assisting in the performance of any function, directly or indirectly related to the process and conduct of peer review.

(2) Shall not at any time communicate any such matter to any other person; and

(3) Shall not at any time permit any other person to have any access to any record, document or any other material in any form which is in his/their possession or under his/their control by virtue of his/their being or having been so appointed or his/their having performed or having assisted any other person in the performance of such a function.

19.3 Non-compliance with the secrecy provisions in the above clause shall amount to professional misconduct as defined under Section 22 of the Company Secretaries Act, 1980.

19.4 A statement of confidentiality (appended as Annexure 'A') shall be filled in by the persons who are responsible for the conduct of peer review i.e., reviewers/ the members of the Board and others who assist them.

## 20. Procedural Departures

20.1 Where the persons who are responsible for the conduct of peer review (reviewers, the members of the Board and others who assist them) have not followed the prescribed procedures, they shall have to justify significant departures and such justification shall have to be mandatorily made known to the Council in the periodic Reports of the Board to the Council.

## Annexure 'A'

### Statement of Confidentiality

[In accordance with the Guidelines on Peer Reviews this statement of confidentiality is to be filled in by the persons who are responsible for the conduct of peer review i.e. reviewers, members of the Board and others who assist them, individually. The Reviewer shall be responsible for taking this undertaking from all those persons who assist him or are likely to assist him in conducting peer reviews, and shall send the same



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to the Board. This statement of Confidentiality should be renewed every year.]

To  
The Chairman,  
Peer Review Board,  
The Institute of Company Secretaries of India

Sir,

I hereby declare that my attention has been drawn to the need for confidentiality in the conduct of peer reviews. I therefore undertake and assure that in so far as any or all of the following relate to me or are brought to my knowledge/attention, in any manner whatsoever, whensoever, I will ensure that on my part

- Working papers shall always be kept securely so that unauthorised access is not gained by anyone.
- The practice unit's attestation services procedures shall not be disclosed to third parties.
- Any information with regard to any matter coming to my knowledge in the performance or in assisting in the performance of any function during the conduct of peer reviews shall not be disclosed to any person.

Access to any record, document or any other material, in any form which is in my possession, or under my control, by virtue of my being or having been so appointed or my having performed or having assisted any other person in the performance of such a function, shall not at any time be permitted to any other person.

I understand that any breach of the provisions regarding confidential information contained in the Guidelines on Peer Review will be considered as gross negligence and, subject to investigation, will result in appropriate action.

Signature:  
Name:  
Designation:  
Date:  
Place:  
Taken on record on (date)  
By  
Signature:  
Name:  
Designation:

By Order of the Council of the Institute of Company Secretaries of India  
N.K. JAIN, Secy. & CEO  
[ADVT. 111/4/121 /11 /Exty.]

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## MEMORANDUM OF UNDERSTANDING WITH MAICSA

A Memorandum of Understanding was entered into between the MALAYSIAN INSTITUTE OF CHARTERED SECRETARIES AND ADMINISTRATOR (MAICSA) and THE INSTITUTE OF COMPANY SECRETARIES OF INDIA (ICSI) at the 39<sup>th</sup> National Convention of Company Secretaries at Agra on October 14, 2011.

The important highlights of the MOU are:

- It will help students and members of both institutes to –
  - Attend training programmes organized by other Institutes.
  - Visit offices and work places of members of other Institutes.
  - Attend organized visits to professional places of interest e.g. companies, stock exchanges, securities commissions.
- Both Institutes also agree to –
  - Exchange course materials, case studies, research publications.
  - Undertake joint research projects which are mutually beneficial.

The MOU is available at the following link:

<http://www.icsi.edu/WebModules/LinksOfWeeks/MAICSA.pdf>

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## RE-OPENING THE REGISTRATION PROCESS OF CERTIFIED FACILITATION CENTERS

Details can be accessed at:

<http://www.icsi.edu:8888/cfc/cfc.aspx>

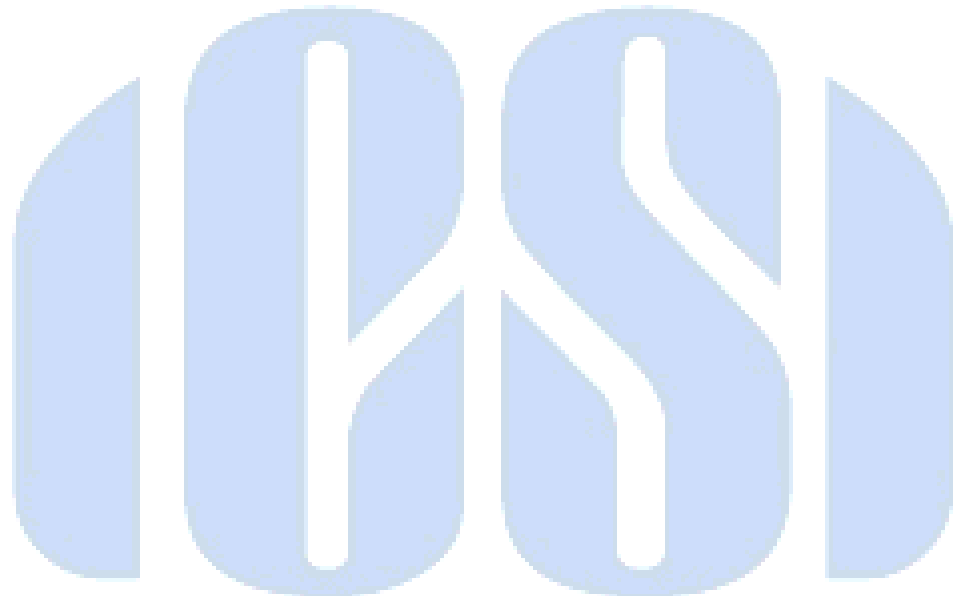


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## RECORDING OF WEBCAST ON XBRL ARRANGED BY ICSI

Details can be accessed at:

<http://www.streamonweb.com/ICSI/archivals>

<http://68.233.237.91/mca/Default.aspx>



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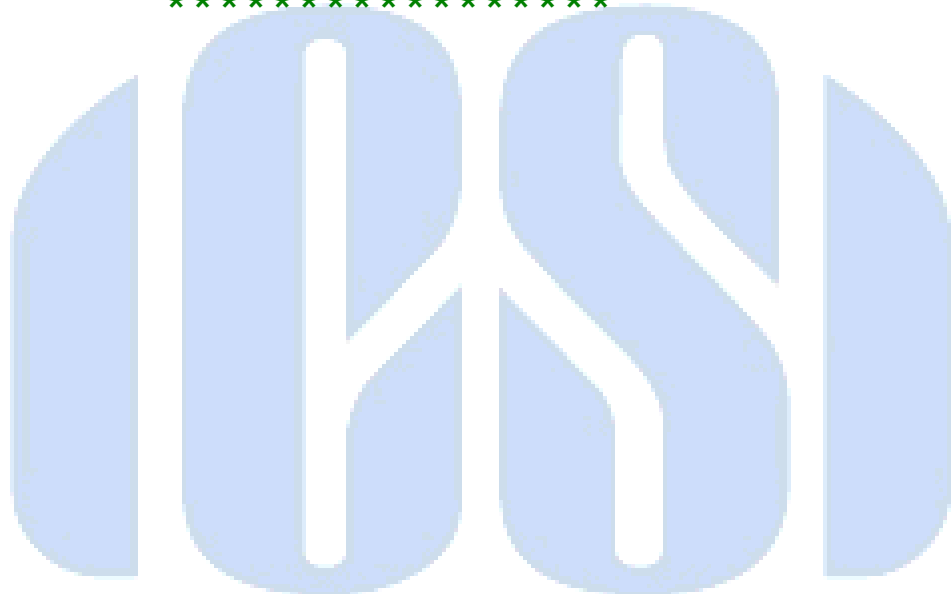
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## CG & CSR : WATCH

The Institute has always been in the frontline to promote good corporate governance and it has been the constant endeavour of the Institute to raise awareness among the members and students in Corporate Governance arena. This watch gives an update of the latest happenings in the area of Corporate Governance and Corporate Social Responsibility.

### NEW DEVELOPMENTS

1. **The Hong Kong Stock Exchange Publishes Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules**

The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (HKEx), on 18<sup>th</sup> December 2010, published a "Consultation Paper on Review of the Code on Corporate Governance Practices and Associated Listing Rules" (Consultation Paper) containing proposals to amend the Corporate Governance Code and the Rules pertaining to corporate governance and to simplify language to improve the clarity, certainty and efficacy of the Listing Rules. The consultation period ended on 18 March 2011.

The Exchange published its "Consultation Conclusions on Review of the Corporate Governance Code and Associated Listing Rules" on 28<sup>th</sup> October, 2011.

The amended Rules which becomes effective between January 1, 2012 and April 1, 2012 stress that directors should ensure that they are fully aware of their duties under the law and the Rules, take an active interest in the issuer's affairs and obtain a general understanding of its business. To provide a sound regulatory framework appropriate for the market and maintain a high standard of corporate governance, a combination of Listing Rules, Code Provisions and Recommended Best Practices has been adopted.

Overall market feedback indicated general support for the proposals, although certain aspects of the proposals drew diverse views.

The details can be accessed at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2010124cc.pdf>



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## 2. Institute of Directors (IoD) (UK) Submission on Executive remuneration discussion paper

The Institute of Directors (UK) has submitted its response (on 25.11.2011) on Discussion paper seeking views on issues relating to executive remuneration.

The discussion paper on Executive remuneration issued by Department for Business Innovation and Skills can be accessed at:

<http://www.bis.gov.uk/assets/biscore/business-law/docs/e/11-1287-executive-remuneration-discussion-paper.pdf>

**Key proposals made by the IoD in its response include the following:**

- More diversity amongst independent non-executive directors. Boards with members from diverse professional backgrounds are more likely to exhibit "objective scepticism" in respect of remuneration policy than current or former CEOs.
- Introduction of a binding shareholder vote on executive remuneration policy.
- Engagement of remuneration committees, on a voluntary basis, with employee representatives as part of the remuneration setting process.
- Greater transparency regarding the potential conflicts of interest experienced by remuneration consultants.
- A substantial simplification of executive remuneration packages.

Commenting on the IoD's submission, Simon Walker, Director General of the IoD, said:

- "The IoD has noted, with growing concern, the rapid rise in executive remuneration at the largest listed UK companies over the last 10-15 years. We are aware of the difficult challenges faced by remuneration committees in responding to a global market for executive talent. But the current pace of increase in executive pay is unsustainable. The legitimacy of UK business in the eyes of wider society is significantly damaged by pay packages that are not clearly linked to company performance."
- "A higher level of professional diversity amongst independent non-executive directors will assist boards in aligning executive pay with society's expectations. Shareholders should also play a more active oversight role."
- "Remuneration committees should explore ways of engaging with employees on remuneration policy. This will be important in increasing the legitimacy of executive remuneration in the eyes of wider society."

The details can be accessed at:

<http://press.iod.com/2011/11/25/iod-calls-for-action-on-executive-pay/>



## GREEN CORNER

### GREEN IDEA



### If:

- You care about the environment
- You want to save energy.
- You want to be green.

Use CFL/LED light in place of *incandescent bulb*

### Interesting fact:

- Switching just one **light bulb** off in every household would reduce carbon dioxide by 90 billion pounds per year.
- Replacing one incandescent bulb with a LED light bulb prevents the release of 300 pounds of carbon dioxide in just one year.

### Something good:



**Nano Ganesh** is a product which allows farmers to use mobile phones to remotely monitor and switch on irrigation pumps used for watering crops in remote locations. Farmers earlier had to walk several kilometres to turn on the irrigation pumps that water their fields. With the electrical supply often erratic, they sometimes found that there was no electricity when they reached the pump. Nano Ganesh allows them to remotely check to see that there is electricity, and to automatically turn the pump on and off, all through a mobile phone.

### To Remember:

- December 1 - World AIDS Day
- December 2 - International day for abolition of Slavery
- December 5 - International Volunteer Day for Economic and Social Development
- December 9 - International Anti-Corruption Day
- December 10 - International Human Rights Day

## Quote of the Month

"Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations, capital flowed towards companies that practiced this type of good governance." –



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Mervyn King (Chairman: King Report)

## Feedback & Suggestions

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

Disclaimer:

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



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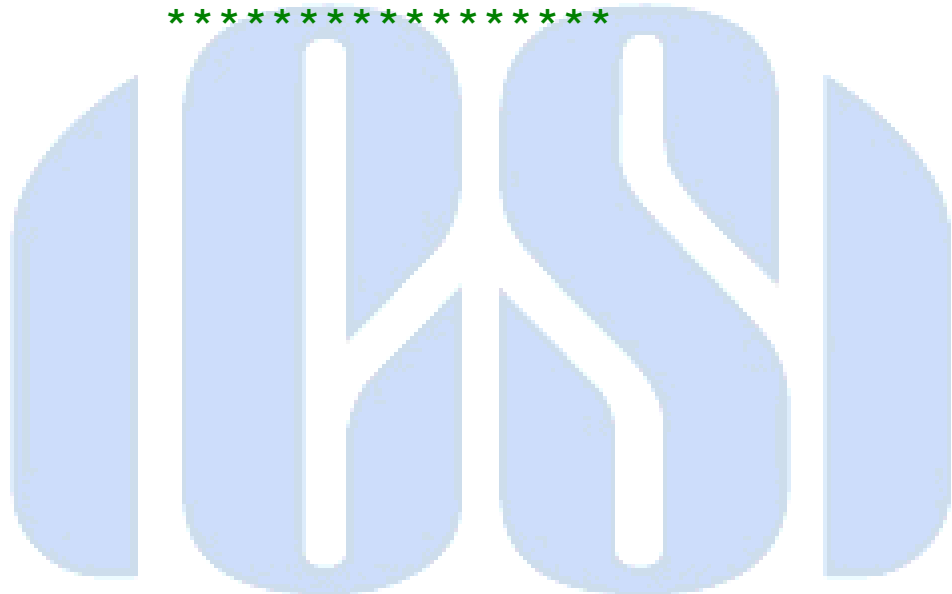
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# MCA UPDATE



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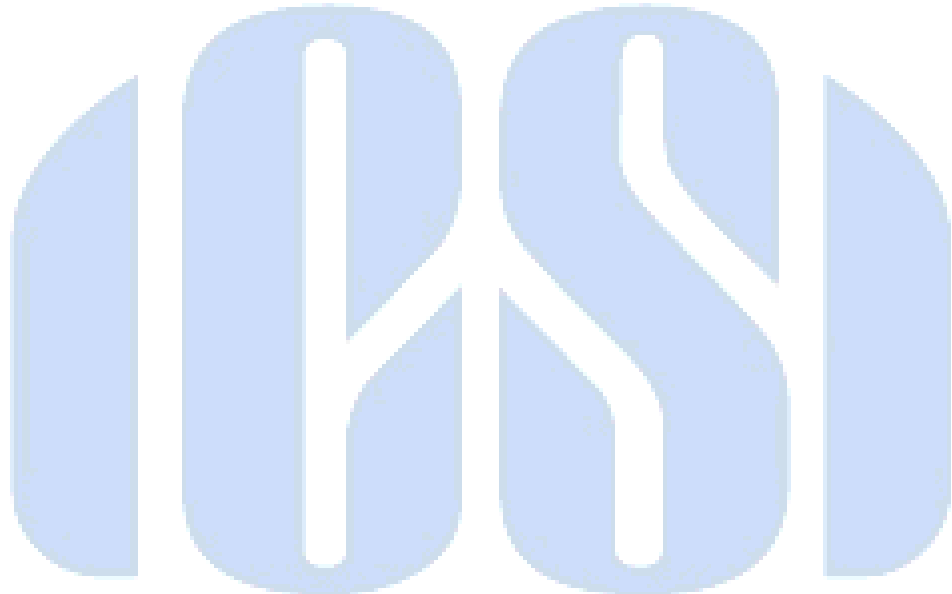


## THE COMPANIES (AMENDMENT) REGULATIONS, 2011

The relevant MCA notification dated 16<sup>th</sup> December, 2011 can be accessed at the following link:

[http://www.mca.gov.in/Ministry/notification/pdf/Companies\\_Amendment\\_Regulations2011.pdf](http://www.mca.gov.in/Ministry/notification/pdf/Companies_Amendment_Regulations2011.pdf)

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## COMPANY LAW SETTLEMENT SCHEME, 2011

General Circular No. 71/2011

F. No. 2/11/2011-CL V  
Government of India  
Ministry of Corporate Affairs

5<sup>th</sup> Floor, A Wing, Shastri Bhavan,  
Dr. R.P. Road, New Delhi,  
Dated the 15<sup>th</sup> Dec, 2011

To

All Regional Director,  
All Registrars of Companies.

**Subject: Company Law Settlement Scheme, 2011**

Sir,

In continuation of the Ministry's General Circulars No. 59/2011 dated 05.08.2011, No. 60/2011 dated 10.08.2011 and No. 65/2011 dated 04.10.2011 on the subject cited above, it is stated that the said scheme has been extended upto 15<sup>th</sup> January, 2012. It is further stated that this Scheme will not be extended beyond 15.01.2012.

2. All the terms and conditions of the General Circulars No. 59/2011 dated 05.08.2011 and No. 60/2011 dated 10.08.2011 will remain the same.

Yours faithfully,

Sd/-

(U.C. Nahata)

Director (Inspection & Investigation)

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## ALLOTMENT OF DIRECTOR'S IDENTIFICATION NUMBER (DIN) UNDER COMPANIES ACT, 1956

General Circular No. 70/2011

No 2/1/2011-CL.V  
Government of India  
Ministry of Corporate Affairs

5<sup>th</sup> floor, 'A' Wing, Shastri Bhawan,  
Dr. R. P. Road, New Delhi  
Dated the 15<sup>th</sup> December, 2011

To

All Regional Directors  
All Registrar of Companies.

**Sub: Allotment of Director's Identification Number (DIN) under Companies Act, 1956**

Sir,

In continuation of General Circulars No. 32/2011 dated 31.05.2011 and No. 36/2011 dated 04.10.2011 on the subject cited above, I am directed to say that the time for filing form DIN-4 by DIN holders for furnishing PAN and to update PAN details has been extended upto 29.02.2012.

Yours faithfully,

Sd/-  
(U.C. Nahata)  
Director (Inspection & Investigation)

Copy to:

1. ICAI/ICWAI/ICSI/All Chamber of Commerce with a request to give wide publicity to their members.
2. DIN Cell to issue message through e-mail and SMS to all existing DIN holders who have not furnished their PAN earlier at the time of obtaining DIN, to furnish their PAN by filing form DIN-4 by 29.02.2012 to avoid penal action.

Copy for information to:

1. PS to CAM and PS to MOS
2. PPS to Secretary, Additional Secretary, Joint Secretaries

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## AMENDMENT TO SCHEDULE XIV TO THE COMPANIES ACT, 1956

[PUBLISHED IN THE GAZETTE OF INDIA, PART – II, SECTION 3, SUB-SECTION (i) EXTRAORDINARY]

GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS

Notification

New Delhi, dated the 14 December, 2011.

G.S.R. (E) – In exercise of the powers conferred by sub-section (1) of section 641 of the Companies Act, 1956 (1 of 1956), the Central Government hereby makes the following alterations in the Schedule XIV of the said Act namely :-

In Schedule XIV to the Companies Act, 1956, under the heading "II PLANT AND MACHINERY", under item (ii) relating to special rates, in sub-item B.7, for the entries, the following entries shall respectively be substituted, namely :-

### Schedule XIV

#### Rates of depreciation

Name of assets	Single Shift		Double Shift		Triple Shift	
	W.D.V.	S.L.M.	W.D.V.	S.L.M.	W.D.V.	S.L.M.
1	2	3	4	5	6	7
-----						
"7. Mineral oil Concerns Field operations (above ground) Portable boilers, drilling tools, well-head tanks, etc. (NESD)	30 percent.	11.31 percent.	--	--	--	--
7A. Rigs (NESD)	10 percent.	3.34 percent.	--	--	--	--

F : 2/6/2008 CL-V

-sd-

(U C Nahta)

Director (Inspection & Investigation)



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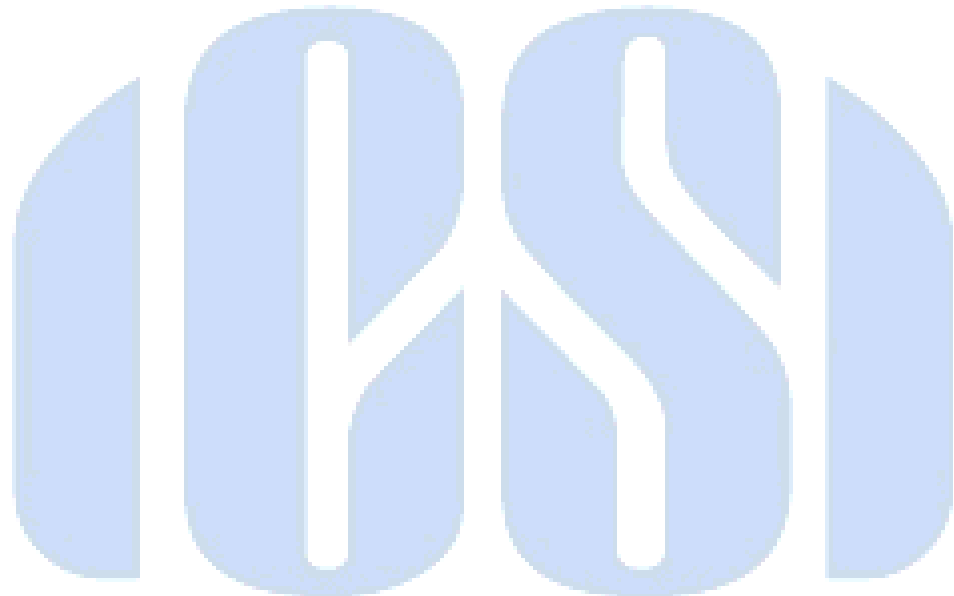
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**Note:-** The Principal Schedule was inserted by the Companies Amendment Act, 1988 and subsequently amended by the following notifications, namely :--

- (i) GSR 416(E) dated 14-5-1993;
- (ii) GSR 756(E) dated 16-12-1993;
- (iii) GSR 788(E) dated 04-11-1994;
- (iv) GSR 101(E) dated 01-03-1995;
- (v) GSR 500(E) dated 18-8-1998;

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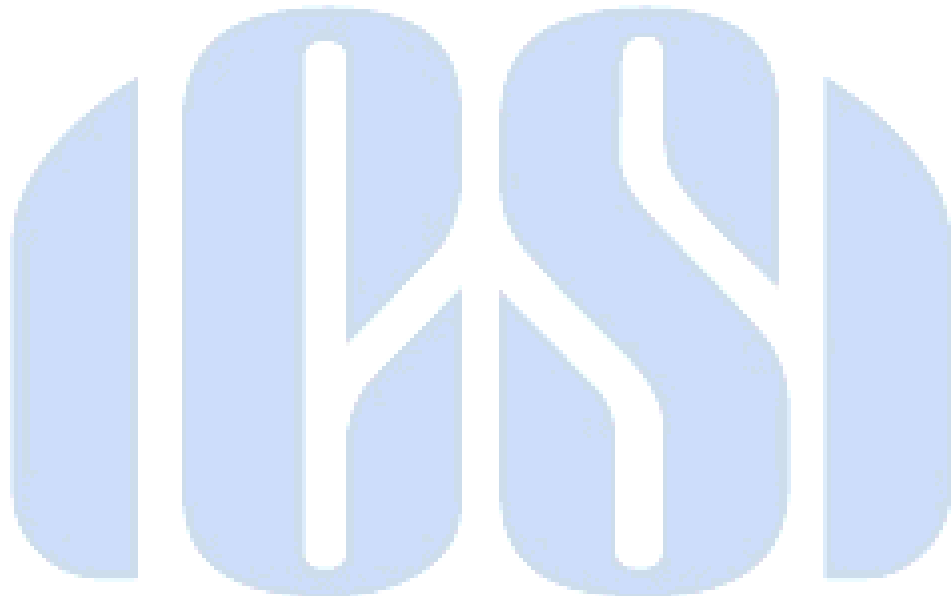


## UNLISTED PUBLIC COMPANIES (PREFERENTIAL ALLOTMENT) AMENDMENT RULE, 2011

The relevant MCA notification dated 14<sup>th</sup> December, 2011 can be accessed at the following link:

[http://www.mca.gov.in/Ministry/notification/pdf/Unlisted\\_Public\\_Companies14dec.pdf](http://www.mca.gov.in/Ministry/notification/pdf/Unlisted_Public_Companies14dec.pdf)

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## THE COST ACCOUNTING RECORDS (TELECOMMUNICATION INDUSTRY) RULES, 2011

The relevant MCA notification dated 7<sup>th</sup> December, 2011 can be accessed at the following link:

[http://www.mca.gov.in/Ministry/notification/pdf/TELECOM\\_CAR\\_R\\_869E.pdf](http://www.mca.gov.in/Ministry/notification/pdf/TELECOM_CAR_R_869E.pdf)



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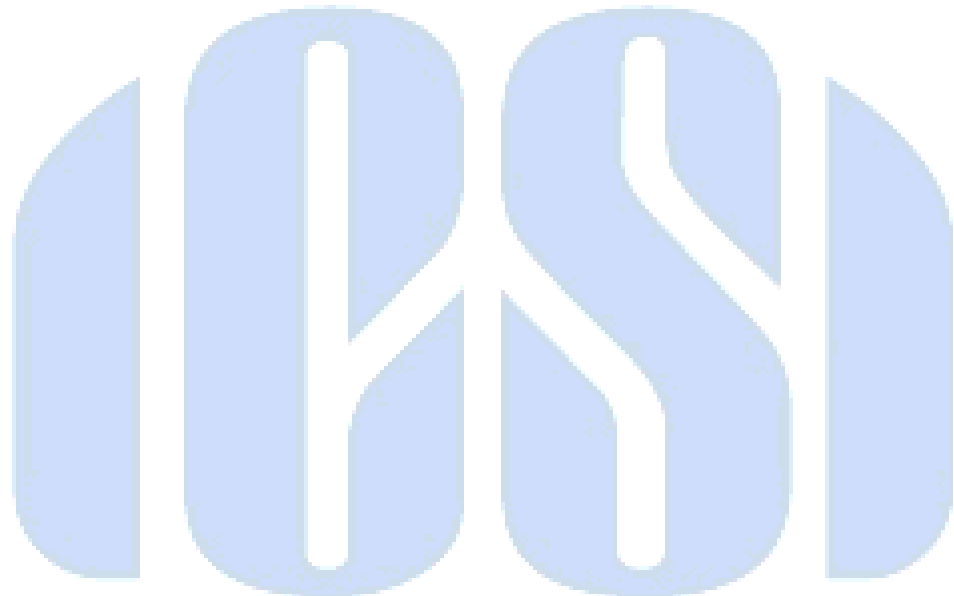
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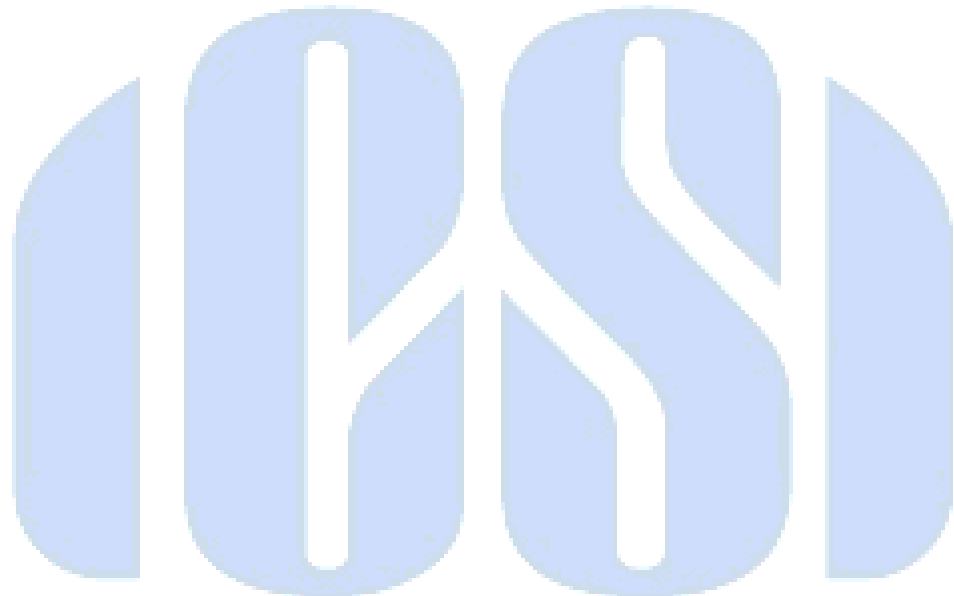


## THE COST ACCOUNTING RECORDS (SUGAR INDUSTRY) RULES, 2011

The relevant MCA notification dated 7<sup>th</sup> December, 2011 can be accessed at the following link:

[http://www.mca.gov.in/Ministry/notification/pdf/SUGAR\\_CARR\\_872E.pdf](http://www.mca.gov.in/Ministry/notification/pdf/SUGAR_CARR_872E.pdf)

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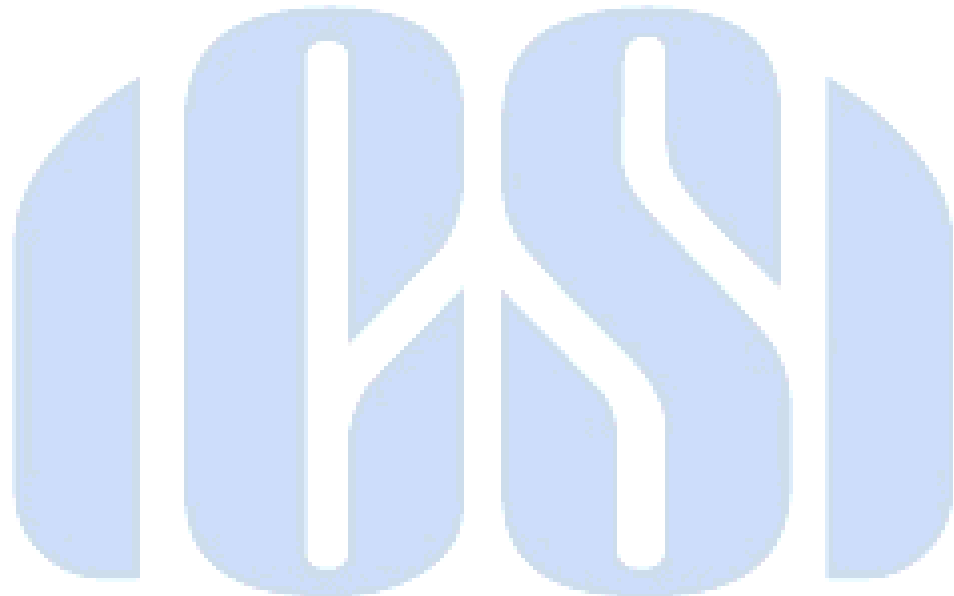


## THE COST ACCOUNTING RECORDS (PHARMACEUTICAL INDUSTRY) RULES, 2011

The relevant MCA notification dated 7<sup>th</sup> December, 2011 can be accessed at the following link:

[http://www.mca.gov.in/Ministry/notification/pdf/PHARMA\\_CARR\\_874E.pdf](http://www.mca.gov.in/Ministry/notification/pdf/PHARMA_CARR_874E.pdf)

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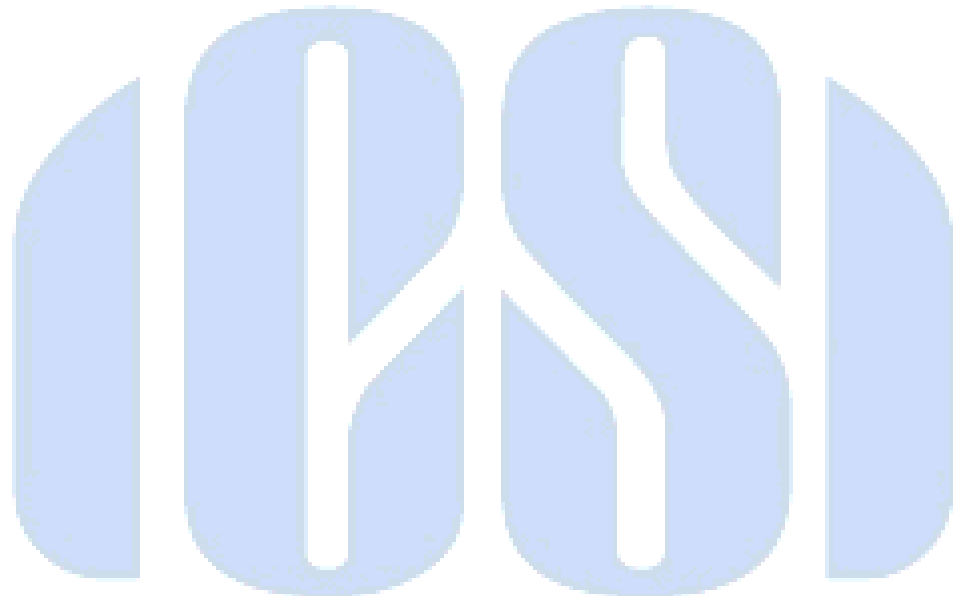


## THE COST ACCOUNTING RECORDS (PETROLEUM INDUSTRY) RULES, 2011

The relevant MCA notification dated 7<sup>th</sup> December, 2011 can be accessed at the following link:

[http://www.mca.gov.in/Ministry/notification/pdf/PETROLEUM\\_CA\\_RR\\_870E.pdf](http://www.mca.gov.in/Ministry/notification/pdf/PETROLEUM_CA_RR_870E.pdf)

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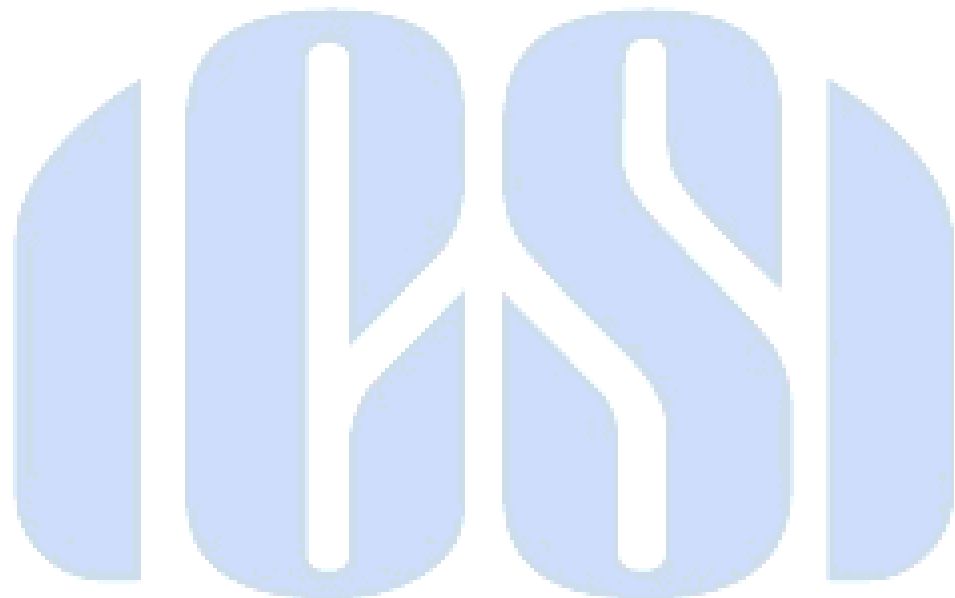


## THE COST ACCOUNTING RECORDS (FERTILIZER INDUSTRY) RULES, 2011

The relevant MCA notification dated 7<sup>th</sup> December, 2011 can be accessed at the following link:

[http://www.mca.gov.in/Ministry/notification/pdf/Fertilizer\\_CARR\\_873E.pdf](http://www.mca.gov.in/Ministry/notification/pdf/Fertilizer_CARR_873E.pdf)

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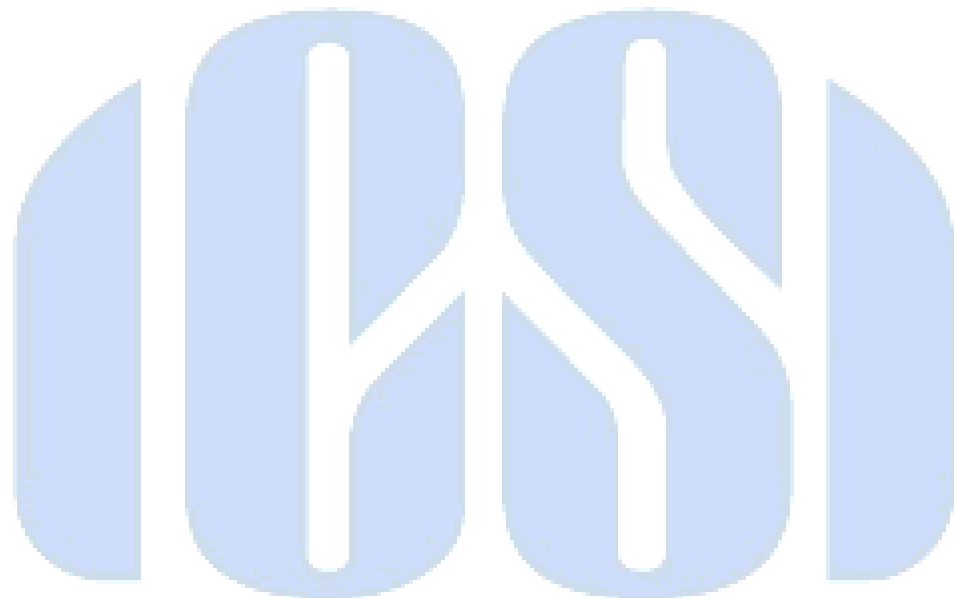


## THE COST ACCOUNTING RECORDS (ELECTRICITY INDUSTRY) RULES, 2011

The relevant MCA notification dated 7<sup>th</sup> December, 2011 can be accessed at the following link:

[http://www.mca.gov.in/Ministry/notification/pdf/ELECTRICITY\\_CARR\\_871E.pdf](http://www.mca.gov.in/Ministry/notification/pdf/ELECTRICITY_CARR_871E.pdf)

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## LAST DATE OF FILING OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT IN XBRL MODE EXTENDED



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General Circular No: 69/2011

No. HQ/MCA/DigitisedBS/AR/2009

Government of India

Ministry of Corporate Affairs

5th Floor, "A" Wing, Shastri Bhawan,  
Dr. R.P. Road, New Delhi – 110001

Dated 30.11.2011

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

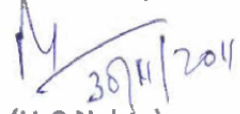
Sub: Filing of Balance Sheet and Profit and Loss Account in extensible Business Reporting Language (XBRL) mode.

Sir,

In partial modification of Para 1 of the Ministry's Circular no. 57/2011 dated 28.07.2011, the last date for filing financial statements in XBRL mode without any additional fee due to delay by those Phase-I class of companies (excluding exempted class) whose Balance Sheet date for FY 2010-11 is on or after 31.03.2011, has been extended up to 31.12.2011 or within 60 days of their due date of filing, whichever is later.

2. This issue with the approval of the Competent Authority.

Yours faithfully,

  
30/11/2011  
(U.C.Nahta)

Director (Inspection & Investigation)

\*\*\*\*\*



## MINISTRY OF CORPORATE AFFAIRS

### REQUEST TO FILE ANNUAL RETURN AND THE BALANCE SHEET AT THE EARLIEST TO AVOID LAST MINUTE RUSH

"DEAR CORPORATES / MEMBERS,

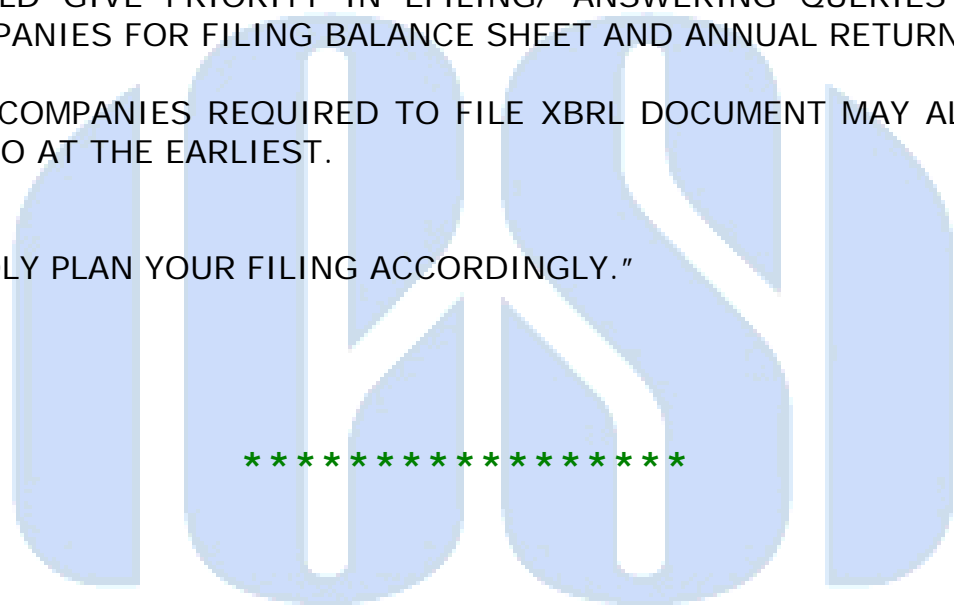
TO AVOID LAST MINUTE RUSH AND SYSTEM CONGESTION IN MCA21 TOWARDS END OF DECEMBER 2011, KINDLY EXPEDITE FILING OF ANNUAL RETURN AND BALANCE SHEET WITHOUT WAITING FOR THE LAST DAYS OF THE MONTH.

DURING THIS PERIOD, ROC FACILITATION CENTRES/ HELP DESKS WOULD GIVE PRIORITY IN EFILING/ ANSWERING QUERIES OF COMPANIES FOR FILING BALANCE SHEET AND ANNUAL RETURN.

THE COMPANIES REQUIRED TO FILE XBRL DOCUMENT MAY ALSO DO SO AT THE EARLIEST.

KINDLY PLAN YOUR FILING ACCORDINGLY."

\*\*\*\*\*



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# RBI UPDATE

## KYC NORMS/AML STANDARDS/CFT – OBLIGATION OF AUTHORISED PERSONS UNDER PMLA, 2002

RBI/2011-12/313  
A.P. (DIR Series) Circular No. 60

December 22, 2011

To  
All Authorised Persons in Foreign Exchange

Madam/Sir,

**Know Your Customer (KYC) norms/Anti-Money Laundering (AML) standards / Combating the Financing of Terrorism (CFT) Obligation of Authorised Persons under Prevention of Money Laundering Act, (PMLA), 2002, as amended by Prevention of Money Laundering (Amendment) Act, 2009 –Money changing activities**

Attention of Authorised Persons is invited to [F-Part-II of the Annex](#) to the A.P. (Dir Series) Circular No. 17 [A.P. (FL/RL Series) Circular No. 04] dated November 27, 2009.

2. In view of the problems faced by the money changers while obtaining documents towards address proof from foreign tourists, it has been decided to amend certain instructions contained in the aforementioned Part. The amended instructions are given in the [Annex](#).

3. All the other instructions contained in the [A.P. \(DIR Series\) Circular No. 17 \[A.P. \(FL/RL Series\) Circular No. 04\] dated November 27, 2009](#) shall remain unchanged.

4. Authorised Persons may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this Circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and non-compliance with the guidelines would attract penal provisions of Section 11(3) of the Act *ibid*.

Yours faithfully,

**Meena Hemchandra**  
Chief General Manager-in-Charge



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Annex  
[Annex to A.P. (DIR Series) Circular No.60  
dated December 22, 2011

**Customer Identification Procedure**  
**Features to be verified and documents that may be obtained from customers**

Extant Guidelines		Revised Guidelines	
Features	Documents	Features	Documents
<b>Transactions With Individuals</b>  - Legal name and any other names used	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Identity card (subject to the AP's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the AP.	<b>Transactions With Individuals</b>  - Legal name and any other names used	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Identity card (subject to the AP's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the AP.
- Correct permanent address	(i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the AP).  (any one of the documents, which provides customer information to the satisfaction of the AP will suffice).	- Correct permanent address	(i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the AP).  (any one of the documents, which provides customer information to the satisfaction of the AP will suffice).



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Extant Guidelines		Revised Guidelines	
Features	Documents	Features	Documents
			<p>Note: - In case of foreign tourists, copies of passport containing identification particulars and address, may be accepted as documentary proof for both identification as well as address. Further, a copy of the visa of non-residents, duly stamped by Indian Immigration authorities may also be obtained and kept on record.</p>







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## ECB FOR MFIS AND NGOS ENGAGED IN MICRO FINANCE ACTIVITIES UNDER AUTOMATIC ROUTE

RBI/2011-12/304  
A.P. (DIR Series) Circular No. 59

December 19, 2011

To

All Authorized Dealer Category- I Banks

Madam / Sir,

### External Commercial Borrowings (ECB) for Micro Finance Institutions (MFIs) and Non-Government Organisations (NGOs)- engaged in micro finance activities under Automatic Route

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, notified vide [Notification No. FEMA 3/2000-RB dated May 3, 2000](#), amended from time to time, [A.P. \(DIR Series\) Circular No. 5 dated August 1, 2005](#), amended from time to time and [A.P. \(DIR Series\) Circular No. 40 dated April 25, 2005](#) relating to the External Commercial Borrowings (ECB).

2. Considering the specific needs of the micro finance sector, the existing ECB policy has been reviewed in consultation with the Government of India and it has been decided that hence forth MFIs may be permitted to raise ECB up to USD 10 million or equivalent during a financial year for permitted end-uses, under the Automatic Route. Detailed guidelines on ECB for MFIs with necessary safeguards are set out below.

(i) Eligible Borrower:

The following MFIs engaged in micro finance activities shall be considered as eligible borrowers to avail of ECBs: -

- MFIs registered under the Societies Registration Act, 1860;
- MFIs registered under Indian Trust Act, 1882;
- MFIs registered either under the conventional state-level cooperative acts, the national level multi-state cooperative legislation or under the new state-level mutually aided cooperative acts (MACS Act) and **not** being a co-operative bank;
- Non-Banking Financial Companies (NBFCs) categorized as 'Non Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) and complying with the norms prescribed as per [circular DNBS.CC.PD.No. 250/03.10.01/2011-12 dated December 02, 2011](#); and
- Companies registered under Section 25 of the Companies Act, 1956 and involved in micro finance activity.

(ii) Borrowing relationship and fit and proper status:



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Further, the MFIs registered as societies, trusts and co-operatives and engaged in micro finance

- should have a satisfactory borrowing relationship for at least 3 years with a scheduled commercial bank authorized to deal in foreign exchange; and
- would require a certificate of due diligence on `fit and proper' status of the Board/Committee of Management of the borrowing entity from the designated Authorized Dealer (AD) bank.

(iii) Recognized lenders

ECB funds should be routed through normal banking channels. **NBFC-MFIs** will be permitted to avail of ECBs from multilateral institutions, such as IFC, ADB etc./ regional financial institutions/international banks / foreign equity holders and overseas organizations.

Companies registered under Section 25 of the Companies Act and engaged in micro finance will be permitted to avail of ECBs from international banks, multilateral financial institutions, export credit agencies, foreign equity holders, overseas organizations and individuals.

Other MFIs will be permitted to avail of ECBs from international banks, multilateral financial institutions, export credit agencies, overseas organizations and individuals.

Overseas organizations and individuals complying with following safeguards may lend ECB

**a) Overseas organisations** planning to extend ECB would have to furnish a certificate of due diligence from an overseas bank which in turn is subject to regulation of host-country regulator and adheres to Financial Action Task Force (FATF) guidelines to the designated AD. The certificate of due diligence should comprise the following (i) that the lender maintains an account with the bank for at least a period of two years, (ii) that the lending entity is organized as per the local law and held in good esteem by the business/local community and (iii) that there is no criminal action pending against it.

**b) Individual Lender** has to obtain a certificate of due diligence from an overseas bank indicating that the lender maintains an account with the bank for at least a period of two years. Other evidence /documents, such as audited statement of account and income tax return which the overseas lender may furnish need to be certified and forwarded by the overseas bank. Individual lenders from countries wherein banks are not required to adhere to Know Your Customer (KYC) guidelines are not permitted to extend ECB.

(iv) *Permitted End-use:* The designated AD must ensure that the ECB proceeds are utilised for lending to self-help groups or for micro-credit or for bonafide micro finance activity including capacity building.

(v) *Amount of ECB :* With a view to ensure minimization of systemic risk, the maximum amount of foreign currency borrowings of a borrower is capped at USD 10 million during a financial year.



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3. It has also been decided that Non-Government Organisations (NGOs) engaged in micro finance activities can avail of ECB up to USD 10 million or equivalent per financial year under the automatic route as against the present limit of USD 5 million or equivalent per financial year. All other conditions as detailed in our A.P. (DIR Series) Circular No. 40 dated April 25, 2005 remain unchanged.

#### 4. Other ECB Parameters :

All other ECB parameters such as minimum average maturity, all-in-cost ceilings, restrictions on issuance of guarantee, choice of security, parking of ECB proceeds, prepayment, refinancing of ECB, reporting arrangements under the Automatic Route should be complied with by MFIs/NGOs availing ECBs. The designated AD has to certify the status of the borrower as eligible and involved in micro finance and ensure at the time of draw down that the forex exposure of the borrower is fully hedged.

5. These amendments to ECB policy will come into force with immediate effect and the framework with respect to MFIs will be subject to review after one year.

6. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately, wherever necessary.

7. Authorized Dealer banks may bring the contents of this circular to the notice of their constituents and customers.

8. The direction contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Rashmi Fauzdar)**  
Chief General Manager

#### Related Press Release

Dec 19, 2011

[MFIs allowed to raise ECBs](#)

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## RISK MANAGEMENT AND INTER BANK DEALINGS

RBI/2011-12/300  
A.P. (DIR Series) Circular No. 58

December 15, 2011

To,

All Authorised Dealer Category - I Banks

Madam / Sir,

### Risk Management and Inter Bank Dealings

Attention of Authorized Dealers Category – I (AD Category – I) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 [[Notification No.FEMA/25/RB-2000 dated May 3, 2000](#)] and [A.P.\(DIR Series\) Circular No.32 dated December 28, 2010](#), as amended from time to time.

2. Keeping in view the developments in the foreign exchange market, it has been decided to implement the following measures **with immediate effect** until further review.

1. Under contracted exposures, forward contracts, involving the Rupee as one of the currencies, booked by residents to hedge current account transactions, regardless of the tenor, and to hedge capital account transactions, falling due within one year, were allowed to be cancelled and rebooked.

It has now been decided to withdraw the above facility. Forward contracts booked by residents irrespective of the type and tenor of the underlying exposure, once cancelled, cannot be rebooked.

ii. Under probable exposures based on past performance residents were allowed to hedge currency risk on the basis of a declaration of an exposure and based on past performance up to the average of the previous three financial years' (April to March) actual import/export turnover or the previous year's actual import/export turnover, whichever is higher. Further, contracts booked in excess of 75 per cent of the eligible limit were to be on deliverable basis and could not be cancelled.

It has now been decided that

- a. For importers availing of the above past performance facility, the facility stands reduced to 25 percent of the limit as computed above, i.e., 25 percent of the average of the previous three financial years' (April to March) actual import/export turnover or the previous year's actual import/export turnover, whichever is higher. In case of importers who have already utilised in excess of the revised / reduced limit, no further bookings may be allowed under this facility.
- b. All forward contracts booked under this facility by both exporters and importers hence forth will be on fully deliverable basis. In case of cancellations, exchange gain, if any, should not be passed on to the customer.



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iii. All cash/tom/spot transactions by the Authorised Dealers on behalf of clients will be undertaken for actual remittances / delivery only and cannot be cancelled / cash settled.

iv. Foreign Institutional Investors (FIIs) are currently allowed to hedge currency risk on the market value of entire investment in equity and/or debt in India as on a particular date. The contracts once cancelled cannot be rebooked except to the extent of 10 per cent of the market value of the portfolio as at the beginning of the financial year. The forward contracts may, however, be rolled over on or before maturity.

It has now been decided that henceforth forward contracts booked by the FIIs, once cancelled, cannot be rebooked. The forward contracts may, however, be rolled over on or before maturity.

v. The Board of Directors of Authorised Dealers were allowed to fix suitable limits for various Treasury functions with net overnight open exchange position and aggregate gap limits required to be approved by the Reserve Bank.

It has now been decided that

- a. Net Overnight Open Position Limit (NOOPL) of Authorised Dealers would be reduced across the board. Revised limits in respect of individual banks are being advised to the Authorised Dealers separately.
- b. Intra-day open position / daylight limit of Authorised Dealers should not exceed the existing NOOPL approved by the Reserve Bank.
- c. The above arrangement would be reviewed on an ongoing basis keeping in view the evolving market conditions.

3. Necessary amendments to Notification No. FEMA.25/RB-2000 dated May 3, 2000 [Foreign Exchange Management (Foreign Exchange Derivatives Contracts) Regulations, 2000] are being notified separately.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

**(Meena Hemchandra)  
Chief General Manager**

#### **Related Press Release**

**Dec 15, 2011**

[Risk Management and Inter Bank Dealings](#)

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# SEBI UPDATE

## PUBLIC ISSUE OF DEBT SECURITIES- PROHIBITION ON PAYMENT OF INCENTIVES

CIRCULAR

CIR. /IMD/DF/22/2011

December 26, 2011

All Merchant Bankers  
All Stock-Brokers and Sub-brokers  
All Recognized Stock Exchanges

Dear Sir/ Madam,

### Sub: Public issue of Debt Securities- Prohibition on payment of incentives

1. It is gathered from market participants that in public issues of debt securities, some brokers/ distributors are passing on part of their brokerage/ commission to the final investor(s) for subscription to such public issue of debt. As a result, while on one hand it is giving an unfair advantage/bargaining power to a certain set of investors and distributors, on the other hand it is adding to the cost of issuance for the company.
2. In order to curb such practices, it is advised that in respect of public issues of debt securities, no person connected with the issue shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application for allotment of specified securities:  
  
Provided that nothing contained in this circular shall apply to fees or commission for services rendered in relation to the issue.  
  
For the purpose of the above guideline, the expression "person connected with the issue" includes a person connected with the distribution of issue.
3. All recognized stock exchanges are advised to bring to the notice of all their members and to disseminate the same on their respective websites for information.
4. This circular is issued in exercise of powers conferred under Section 11(1) and Section 11 A of the Securities and Exchange Board of India Act, 1992 read with Regulation 31(1) of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

**Maninder Cheema**  
Deputy General Manager  
Tel: No: 022-26449754  
Email: maninderc@sebi.gov.in



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## GUIDELINES IN PURSUANCE OF THE SEBI KYC REGISTRATION AGENCY (KRA) REGULATIONS, 2011 AND FOR IN-PERSON VERIFICATION (IPV)



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CIRCULAR

MIRSD/Cir- 26 /2011

December 23, 2011

SEBI Registered Intermediaries:

1. KYC Registration Agencies (KRAs),
2. Stock Brokers through Stock Exchanges,
3. Depository Participants (DPs) through Depositories,
4. Mutual Funds (MFs)
5. Portfolio Managers (PMs)
6. Venture Capital Funds (VCFs)
7. Collective Investment Schemes (CIS),

Association of Mutual Funds in India (AMFI)

Dear Sirs,

**Subject: Guidelines in pursuance of the SEBI KYC Registration Agency (KRA) Regulations, 2011 and for In-Person Verification (IPV)**

Please refer to SEBI circular no. MIRSD/Cir-23/2011 dated December 2, 2011 providing you a copy of the KRA Regulations, 2011 notified on December 2, 2011. With a view to implement the Regulations effectively, the following guidelines are being issued:

**1. Guidelines for Intermediaries:**

- i. After doing the initial KYC of the new clients, the intermediary shall forthwith upload the KYC information on the system of the KRA and send the KYC documents i.e. KYC application form and supporting documents of the clients to the KRA within 10 working days from the date of execution of documents by the client and maintain the proof of dispatch.
- ii. In case a client's KYC documents sent by the intermediary to KRA are not complete, the KRA shall inform the same to the intermediary who shall forward the required information / documents promptly to KRA.
- iii. For existing clients, the KYC data may be uploaded by the intermediary provided they are in conformity with details sought in the uniform KYC form prescribed vide SEBI circular no. MIRSD/SE/Cir-21/2011 dated October 05, 2011. While uploading these clients' data the intermediary shall ensure that there is no duplication of data in the KRA system.
- iv. The intermediary shall carry out KYC when the client chooses to trade/ invest / deal through it.
- v. The intermediaries shall maintain electronic records of KYCs of clients and keeping physical records would not be necessary.
- vi. The intermediary shall promptly provide KYC related information to KRA, as and when required.
- vii. The intermediary shall have adequate internal controls to ensure the security / authenticity of data uploaded by it.





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## 2. Guidelines for KRAs:

- i. KRA system shall provide KYC information in data and image form to the intermediary.
- ii. KRA shall send a letter to the client within 10 working days of the receipt of the initial/updated KYC documents from intermediary, confirming the details thereof and maintain the proof of dispatch.
- iii. KRA(s) shall develop systems, in co-ordination with each other, to prevent duplication of entry of KYC details of a client and to ensure uniformity in formats of uploading / modification / downloading of KYC data by the intermediary.
- iv. KRA shall maintain an audit trail of the upload / modifications / downloads made in the KYC data, by the intermediary in its system.
- v. KRA shall ensure that a comprehensive audit of its systems, controls, procedures, safeguards and security of information and documents is carried out annually by an independent auditor. The Audit Report along with the steps taken to rectify the deficiencies, if any, shall be placed before its Board of Directors. Thereafter, the KRA shall send the Action Taken Report to SEBI within 3 months.
- vi. KRA systems shall clearly indicate the status of clients falling under PAN exempt categories viz. investors residing in the state of Sikkim, UN entities / multilateral agencies exempt from paying taxes / filing tax returns in India.
- vii. A client can start trading / investing/ dealing with the intermediary and its group / subsidiary / holding company as soon as the initial KYC is done and other necessary information is obtained while the remaining process of KRA is in progress.

## 3. In-Person Verification (IPV):

With regard to the requirement of in-person' verification (IPV), SEBI has issued guidelines to the stock brokers and depository participants (DPs). However, in line with the uniformity brought out in the KYC procedure across intermediaries, the IPV requirements for all the intermediaries have now been streamlined and harmonized, as follows:

- i. It shall be mandatory for all the intermediaries addressed in this circular to carry out IPV of their clients.
- ii. The intermediary shall ensure that the details like name of the person doing IPV, his designation, organization with his signatures and date are recorded on the KYC form at the time of IPV.
- iii. The IPV carried out by one SEBI registered intermediary can be relied upon by another intermediary.
- iv. In case of Stock brokers, their sub-brokers or Authorised Persons (appointed by the stock brokers after getting approval from the concerned Stock Exchanges in terms of SEBI Circular No. MIRSD/DR-1/Cir-16/09 dated November 06, 2009) can perform the IPV.
- v. In case of Mutual Funds, their Asset Management Companies (AMCs) and the distributors who comply with the certification process of National Institute of Securities Market (NISM) or Association of Mutual Funds (AMFI) and have undergone the process of 'Know Your Distributor (KYD)', can perform the IPV. However, in case of applications received by the mutual funds directly from the



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clients (i.e. not through any distributor), they may also rely upon the IPV performed by the scheduled commercial banks.

In view of the above provisions, the following SEBI circulars/letters pertaining to IPV stand modified accordingly:

- i. Letter No. 47/2006/ISD/SR/122539 dated April 4, 2008
- ii. Letter No. MIRSD/DPS-III/130466/2008 dated July 02, 2008
- iii. Circular No. SEBI/MIRSD/Cir. No. 02/2010 dated January 18, 2010
- iv. Circular no. CIR/MIRSD/22/2011 dated October 25, 2011

#### 4. Applicability:

The KRA system shall be applicable for all new client accounts opened from January 1, 2012. Only for the client accounts opened between Jan 1 and Jan 31, 2012, the intermediaries may upload the KYC data on the KRA system and send the relevant KYC documents to KRA, by February 15, 2012. However, for client accounts opened from February 1, 2011, the intermediaries shall continue to follow the requirement of sending the same within 10 working days as given in para 1(i) of this circular. The existing clients can continue to trade / invest/ deal with their intermediaries as per the current practice.

5. The Stock Exchanges and Depositories are directed to:
  - i. bring the provisions of this circular to the notice of their Stock Brokers and DPs, as the case may be, and also disseminate the same on their websites;
  - ii. make amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision in co-ordination with one another, as considered necessary;
  - iii. monitor the compliance of this circular through half-yearly internal audits and inspections; and
  - iv. communicate to SEBI, the status of the implementation of the provisions of this circular.
6. In case of mutual funds, compliance of this circular shall be monitored by the boards of Asset Management Companies and the Trustees and in case of other intermediaries by their Board of Directors.
7. The names of KRAs would be notified separately.
8. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 and Regulation 17 of the SEBI (KYC (Know Your Client) Registration Agency) Regulations, 2011 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Yours faithfully,

**B. N. Sahoo**  
Deputy General Manager  
022-26449250  
email: biranchins@sebi.gov.in





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## ESTABLISHMENT OF CONNECTIVITY WITH BOTH DEPOSITORIES NSDL AND CDSL – COMPANIES ELIGIBLE FOR SHIFTING FROM TRADE FOR TRADE SETTLEMENT (TFTS) TO NORMAL ROLLING SETTLEMENT

CIRCULAR

CIR/MRD/DP/ 14 /2011

December 20, 2011

To,

All Stock Exchanges

Dear Sir / Madam,

**Sub: Establishment of Connectivity with both depositories NSDL and CDSL – Companies eligible for shifting from Trade for Trade Settlement (TFTS) to normal Rolling Settlement**

1. It is observed from the information provided by the depositories that the companies listed in Annexure 'A' have established connectivity with both the depositories.
2. The stock exchanges may consider shifting the trading in these securities to normal Rolling Settlement subject to the following:
  - a) At least 50% of other than promoter holdings as per clause 35 of Listing Agreement are in dematerialized mode before shifting the trading in the securities of the company from TFTS to normal Rolling Settlement. For this purpose, the listed companies shall obtain a certificate from its Registrar and Transfer Agent (RTA) and submit the same to the stock exchange/s. However, if an issuer-company does not have a separate RTA, it may obtain a certificate in this regard from a practicing company Secretary/Chartered Accountant and submit the same to the stock exchange/s.
  - b) There are no other grounds/reasons for continuation of the trading in TFTS.
3. The Stock Exchanges are advised to report to SEBI, the action taken in this regard in the Monthly/Quarterly Development Report.

Yours faithfully,

Harini Balali  
Deputy General Manager  
022-26449372  
email: [harinib@sebi.gov.in](mailto:harinib@sebi.gov.in)



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## Annexure A

SR. NO.	NAME OF THE COMPANY	ISIN
1.	Towa Sokki Limited	INE311M01018
2.	Atreya Petrochem Limited	INE313M01014
3.	The Chemo-Pharma Laboratories Limited	INE320M01019
4.	Associated Fin Lease Limited	INE290M01014
5.	Hindoostan Mills Limited	INE832D01020
6.	Naisargik Agritech (India) Limited	INE360M01015
7.	Asianlak Capital And Finance Limited	INE377M01019
8.	Thyrocare Laboratories Limited	INE099M01019
9.	Moryo Industries Limited	INE346M01014
10.	Vivo Bio Tech Limited	INE380K01017
11.	Aroma Enterprises (India) Limited	INE371M01012
12.	Advance Lifestyles Limited	INE900E01015
13.	Swagruha Infrastructure Limited	INE587J01019
14.	RSC International Limited	INE015F01019
15.	Pithampur Steels Limited	INE077H01015
16.	Rahul Merchandising Limited	INE149D01011
17.	Himachal Fibres Limited	INE723D01013
18.	Monota Securities Limited	INE815H01018
19.	Nimbus Industries Limited	INE470M01012
20.	High Ground Enterprise Limited	INE361M01013
21.	Pentokey Organy (India) Limited	INE702E01015
22.	Wyn Aqua Exports Limited	INE393M01016

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## REVIEW OF REGULATORY COMPLIANCE, PERIODIC REPORTING AND CONTENTS OF TRUST DEED



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CIRCULAR

CIR/MIRSD/25/2011

December 19, 2011

All Debenture Trustees registered with SEBI

Sir / Madam,

Sub: Review of Regulatory Compliance, Periodic Reporting and Contents of Trust Deed

### A. Regulatory Compliance

1. Debenture Trustees (DTs) are required to furnish quarterly report in electronic form in the prescribed format in terms of SEBI Circulars No. 1(98-99) dated September 01, 1998, DT Circular No. 2(1999-2000) dated April 19, 1999, MIRSD/DPS-2/DT/Cir-2/2004 dated March 09, 2004 and Cir No. MIRSD/DPS-2/DT/Cir-14/2008 dated May 06, 2008.
2. In order to strengthen the monitoring mechanism through periodic reporting, it has been decided to review the reporting format. The revised format as given in the [Annexure](#) includes the status of regulatory compliance and investor grievances redressal.
3. The board of directors of DT shall, henceforth, review the report and record its observations on (i) the deficiencies and non-compliances, and (ii) corrective measures initiated to avoid such instances in future.
4. Accordingly, in supercession of the circulars mentioned in Para 1, with effect from half year ending March 2012, the Compliance Officer of the DT shall send the report in the revised format to SEBI at [dt@sebi.gov.in](mailto:dt@sebi.gov.in) on half yearly basis within three months of the expiry of the half year.
5. Further, according to Circular no. MIRSD/DT/10/2011 dated June 20, 2011, DTs are required to report the changes in their status or constitution. The same information has now been incorporated in the revised format.





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## B. Contents of Trust Deed

- SEBI (Debenture Trustee) Regulations, 1993, allow DTs to incorporate additional clauses in the trust deed provided that these clauses do not dilute or contravene the provisions of the clauses specified in the Schedule-IV of the said Regulations. However, it has been observed during inspections that certain clauses are included in the trust deed that limit or extinguish the obligations of DTs in relation to any rights or interests of investors or are in conflict with the provisions of the Regulations. It may be noted that such clauses in the existing or new trust deeds shall not be applicable and shall stand null and void.

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.

The circular is available on SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in)) under the categories "Legal Framework" and "Circulars".

Yours faithfully,

**Ruchi Chojer**  
Deputy General Manager  
Phone No. 022-26449310  
Email id: [ruchic@sebi.gov.in](mailto:ruchic@sebi.gov.in)

[Encl: Annexure](#)

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