

**EXPOSURE DRAFT  
OF  
GUIDELINES FOR NETWORK AMONGST FIRMS OF  
COMPANY SECRETARIES**

*Dear Professional Colleague,*

The Institute has prepared a draft of the Guidelines for Network amongst firms of Company Secretaries.

The exposure draft of the same is appended below for your views / suggestions and comments.

Views / suggestions and comments may be forwarded at [saurabh@icsi.edu](mailto:saurabh@icsi.edu) latest by July 21, 2009

Regards,

CS N K Jain  
Secretary & CEO

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**EXPOSURE DRAFT  
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GUIDELINES FOR NETWORK AMONGST FIRMS OF  
COMPANY SECRETARIES**

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1. These Guidelines are called as Guideline for Network amongst the firms of Company Secretaries and made effective by the Council of the ICSI from ..... 2008.

2. **Definition.**

**(i) Network -**

"Network amongst two or more firms means an arrangement to facilitate the better functioning of the group of member firms who agree to work formally in the interest of the profession and use the collective resources such as infrastructures, manpower, location for execution of Professional services of one or more type.

(i) Proprietary/partnership firm(s) as well as individual member(s) are

- permitted to form a Network.
- (ii) A proprietary/partnership firm as well as individual Member are allowed to join only one Formal network.
  - (iii) Firms having common partners shall join only one network.

**1. A Group as referred to above shall also include:**

(i) an association with a similar firm within or outside India / entities (including LLPs) such that it results directly or indirectly in a common professional economic or beneficial interest.

(ii) one or more of the firms holding out that it is so grouped/affiliated or networked.

2. A firm shall not be treated as an affiliate/group member merely for the reason that they

- (a) share professional knowledge and data base;
- (b) refer certain professional assignments or authorize the other to represent certain specific matters.

3. If different Indian firms are networked with a common Multi-National Professional Firm then irrespective of the presence/absence of any group/affiliate relationship between the Indian firms inter-se they shall be considered as part of a network.

(ii) **Formal Network** - Formal network means a network amongst two or more firms registered with The Institute of Company Secretaries of India (ICSI), where the object of network is to use the collective resources of the affiliates / member firms of the group *for* execution of professional services of one or more types at one and/or at multinational points. Formal network also implies if an Indian firm makes a group with a foreign firm / Limited Liability Partnership. The resources would include financial, technical and other logistic support required to execute the professional assignments. In such type of network, the common resources may be pooled and exhibited together before the service user as those belonging to one particular set of professionals.

(iii) **Referral Practice** - Referral Practice means a practice to refer professional work by a firm to one of its affiliate / group member firm either situated *at* a different place or rendering professional services not provided by it, to the user of the services.

The pre-dominant objective of such a network is not to pool in their collective resources and exhibit them as those belonging to one particular set of professionals.

For the purpose of these Guidelines:

- (iv) **Act** - Act means The Company Secretaries Act, 1980.
- (v) **Regulations** - Regulations means Company Secretaries Regulations, 1982.
- (vi) **Code of Conduct** - Code or Conduct means the Code of Conduct issued by the Institute and decisions of the Council in this regard.
- (vii) **Institute** - Institute means the Institute of Company Secretaries of India.
- (viii) **Council** - Council means the Council of the Institute.
- (ix) **Member** - Member means a Member in Practice. Member in Practice means a Member in Practice as defined in the Company Secretaries Act, 1980.

### 3. Name of Network:

- (i) The Network may have distinct name which should be approved by the Institute. To distinguish a "Network" from a firm" of Company Secretaries, the words "& Affiliates" should be used *after* the name of the network and the words "& Co." / "& Associates" should not be used. The prescribed format of application for approval of Name for Network is **Form 'PCSNET1'** (enclosed).
- (ii) Standards prescribed in Regulations of the Company Secretaries Regulations, 1982 shall also be applicable to the name of network. However, even if a name is provided and subsequently it is found that the same is undesirable then, the said name be withdrawn at any time by the Institute. The Institute shall reject any undesirable name *and* the provisions in respect of names of companies as prescribed in the Companies Act, 1956 shall be applicable.
- (iii) The network should neither be permitted to advertise nor to use logo. The firms constituting the network are permitted to use the words "Affiliates/Members of ..." (a network of Indian ICSI firms) on their professional stationery.

### 4. Registration:

- (i) A Formal Network is required to be registered with the Institute in a prescribed **Form 'PCSNET2'** (enclosed).
- (ii) It is for each firm to decide whether its affairs and relations with another firm results in creation of a Formal Network.
- (iii) Referral Practice requires no registration.

**5. The Network cannot accept an assignment which is prohibited for member firm.**

**6. Compliance to Ethical Requirement**

Once the relationship of network arises, whether registered or not with the Institute, it will be necessary for such a network and its member firms to comply with all applicable ethical requirements prescribed by the Institute from time to time in general.

**7. Consent of Client:**

The network shall obtain consent of the client to engage another member firm/affiliate in discharging the professional assignments.

**8. Network Objective:**

The Network only acts as a facilitator for its members/constituent Member firms to perform their professional assignments.

**9. Violation of Act:** In case of alleged violation of the provisions of the "Act, Regulations framed thereunder, guidelines/directions laid down by the Council from time to time by the Network firm, the proprietary/partnership firm(s)/individual Member constituting the Network would be answerable.

**10. Exit from Network:** A constituent Member firm/Member of a Network can exit from the network by sending the declaration in **Form 'PCSNET3'** (enclosed) to the Institute and also to each and every constituent of the network. The concurrence/acceptance of the same by other firms forming part of the network firm shall not be required.

**11. Framework of Internal Byelaws of Network requiring Registration:**

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

- (i) Constitution of Governing Committee, from among the managing partners of the member firms of the network and the terms and conditions under which it should function.
- (ii) Administration of the network
- (iii) Contribution of membership fees to meet the cost of the administration of the network.
- (iv) Identifying a partner of any of the member firms of the network to be responsible for the networking under these Guidelines
- (v) Dispute settlement procedures through arbitration and conciliation
- (vi) Development of training materials for members of the network

- (vii) Determining the methodology for drawing resources from each member firm
- (viii) Determining compensation to member firms for resources to be drawn from them
- (ix) Quality Assurance of the member firms

*These clauses are illustrative.*

**APPLICATION FOR APPROVAL OF NAME FOR NETWORK OF FIRMS**

**THE INSTITUTE OF COMPANY SECRETARIES OF INDIA**

**[See Clause 3 of the Guidelines for Network Amongst Firms of Company Secretaries)**

1. Proposed name of Network  
(in order of preference) if the Network  
has a distinct name

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_

| 2. Name(s) of the<br>firm(s)/Member(s)<br>forming network | Firm Name/<br>Member Name | Firm Regn.No./CP No.<br>ACS/FCS No. |
|-----------------------------------------------------------|---------------------------|-------------------------------------|
|                                                           | 1. _____                  | _____                               |
|                                                           | 2. _____                  | _____                               |
|                                                           | 3. _____                  | _____                               |
|                                                           | 4. _____                  | _____                               |

3. Address of the Office of the Network

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ Pin \_\_\_\_\_

E-mail (if any) \_\_\_\_\_

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

Place: .....

Date: .....

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

**DECLARATION FOR REGISTRATION OF FORMAL  
NETWORK AMONGST FIRMS REGISTERED WITH ICSI**

**THE INSTITUTE OF COMPANY SECRETARIES OF INDIA**

**PARTICULARS OF NETWORK HAVING INDIAN AFFILIATION**

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms/Member constituting the Network  

|                                             |                                             |
|---------------------------------------------|---------------------------------------------|
| Names and addresses of<br>Firm(s)/Member(s) | Firm Registration No./CP No.<br>ACS/FCS No. |
|---------------------------------------------|---------------------------------------------|
4. (a) Date of formation of Network  
(b) Date on which present network arrangement  
was entered into
5. We undertake to comply with the guidelines/directions laid down by the  
Council regarding Network from time to time.

We hereby declare that:

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

Place: .....

Date: .....

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

**DECLARATION FOR DISSOCIATION FROM A NETWORK**

**THE INSTITUTE OF COMPANY SECRETARIES OF INDIA**  
**[See Clause 12 of Guidelines for Network Amongst Firms of Company Secretaries]**

1. Name of the Network
2. Address of the Network
3. Names and addresses of firms constituting the Network  

|                                            |                                               |
|--------------------------------------------|-----------------------------------------------|
| Names and addresses of Firm( s )/Member(s) | Firm Registration No./CP No.<br>ACS / FCS no. |
|--------------------------------------------|-----------------------------------------------|
4. Name and address of the firm/member willing to dissociate from the Network  

|                          |                         |
|--------------------------|-------------------------|
| Name and address of Firm | Registration No./CP No. |
|--------------------------|-------------------------|

In pursuance to the Clause 12 of Guidelines for Network Amongst Firms of Company Secretaries, we hereby declare our dissociation from the Network w.e.f.....

I hereby declare that I have been duly authorised by the other partners to issue this declaration.

Place: .....

Date: .....

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

**DECLARATION TO BE FILED FOR NETWORK WITH  
ENTITIES OUTSIDE INDIA**

NETWORK WITH ENTITIES OUTSIDE  
REGISTRATION NO.

|  |
|--|
|  |
|--|

**THE INSTITUTE OF COMPANY SECRETARIES OF INDIA**

**PARTICULARS OF NETWORK WITH ENTITIES OUTSIDE INDIA**

1. Name of the Network
2. Address of the Network
3. Name(s) & address(es) of firm(s)/entity(ies) constituting the Network

(A) Indian firm(s) forming part of Network:

Name(s) of Firm(s)

Firm Registration Number(s)

(B) Outside entity(ies) forming part of Network:

Name(s) of the  
entity(ies) .

**Registration No. of entity(ies),  
the name( s) of enactment( s)/  
charter(s) under which  
Registered with the name of country(ies)**

4. (a) Date of formation of Network
- (b) Date on which present network arrangement was entered into

5. Detail of ownership and management structure of outside entity(ies)  
constitution Network

We, the authorized representative(s) of the entity(ies) outside India, hereby  
solemnly declare and undertake that:

(1) We are conversant with the provisions of the Company Secretaries Act, 1980,  
Company Secretaries Regulations, 1982, the Code of Ethics

guidelines/directions regarding Network issued by the Council from time to time;

(2) in regard to the activities of the Network in India, we undertake to comply with the aforesaid provisions/guidelines/directions.

(3) the activities under the Network will not tantamount to rendering services so as to constitute a commercial presence in India or in any way result in Mode 3\* or Mode 4\* rendering of services as per WTO terminology.

Place: .....

Date: .....

Name(s) with Membership No.(if any)(s).  
and signature(s) of duly authorised  
Representative(s) of the entity(ies)  
Outside India constituting Network

We, the authorized representative(s) of Indian Firm(s), solemnly declare as under:-

(1) the information given above is true and correct as per our information and belief; and

(2) non-compliance with the provisions of the Company Secretaries Act, 1980 and the guidelines/directions laid down by the Council thereunder by the outside entity(ies) shall be deemed to be on our behest, unless proved otherwise.

Place: .....

Date: .....

Name(s) with Membership No.(if any)(s).  
and signature(s) of duly authorised  
Representative(s) of the entity(ies)  
Outside India constituting Network

\* Mode 3: Commercial Presence - Where services are provided through establishment of an office in the other country.

\* Mode 4: Movement of Natural Persons - Where the professional accountant travels from one country to another to deliver a service.