



**THE INSTITUTE OF
Company Secretaries of India**
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

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CS UPDATE

Sep 18, 2009

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FORTHCOMING PROGRAMMES

- 37th National Convention of Company Secretaries

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37th National Convention of Company Secretaries
November 5-6-7, 2009

Hotel Marriott and Convention Centre, Tank Bund Road, Hyderabad

THEME: "Lead Corporate India — Role of Company Secretary".

The **37th National Convention of Company Secretaries** is being held on **Thursday, Friday and Saturday, November 5-6-7, 2009** at **Hotel Marriott and Convention Centre, Tank Bund Road, Hyderabad**.

The theme of the convention will be deliberated in following four sub themes

1. Managing Growth in Turbulent Times
2. Integrity, Ethics and Governance
3. Best Practices in Financial / Non-Financial Disclosures
4. Lead Corporate India under Competition Regime

You are cordially invited to participate in this annual mega event of the Institute. Kindly block the dates in your calendar and join, to rediscover professional synergies and togetherness.

DELEGATE FEE AND REGISTRATION PROCEDURE

	PAYMENT BY CASH, CREDIT CARD (HQ/ RC), DEMAND DRAFT OR PAY ORDER
Members	4000
Non-Members	4500
Company Secretary in Practice	3500
Senior Members (60 years & above)	3500
Members admitted after 31.12.2006	3500
Students	3000
Foreign	US\$ 100
Spouse	3000
Licentiates	3500

The registration form duly completed along with a crossed cheque / demand draft / pay order drawn in favour of The Institute of Company Secretaries of India payable at New Delhi may please be sent to The Institute of Company Secretaries of India, C-37, Sector 62, Institutional Area, Noida - 201309.

The detailed brochure and delegate registration form for the Convention may be downloaded at the link:

<http://www.icsi.edu/Default.aspx?alias=www.icsi.edu/37nc>

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MCA Updates

- Scheme for Filing of Statutory Documents and other Transactions by Companies in Electronic Mode (Amendment) Scheme, 2009
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[PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART – II,
SECTION 3, SUB-SECTION (ii)]

GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
NOTIFICATION

New Delhi, 7th September, 2009.

S.O. 2276 (E) – In exercise of the powers conferred by sub-section (2) of section 610B of the Companies Act, 1956, the Central Government hereby makes the following Scheme to amend the Scheme for Filing of Statutory Documents and other Transactions by Companies in Electronic Mode, namely:-

1. (1) This Scheme may be called as the “Scheme for Filing of Statutory Documents and other Transactions by Companies in Electronic Mode (Amendment) Scheme, 2009.

(2) This scheme shall come into force on the 13th day of September, 2009.

2. In the Scheme for Filing of Statutory Documents and other Transactions by Companies in Electronic Mode, in Annexre ‘A’, in pragraph 4, for sub-paragraph (8), the following sub-paragraph shall be substitued, namely:

“(8) Collection of Stamp Duty on documents through MCA portal and dispensation of physical submission thereof.

(a) The Central Government, for the purpose of making all transactions faster, improving service delivery and making Office of the Registrar paperless, has decided to dispense with the physical submission of documents. The Central Government shall initially collect stamp duty payable on Form No.1, Memorandum of Association, Article of Association, Form No. 5 and Form No. 44 at the time of their e-filing, through MCA portal www.mca.gov.in. The Central government shall collect the stamp duty on behalf of the State Governments and Union territories for specific purpose of e-filing of documents under the provision of the Companies Act, 1956 and to remit the same directly to the accounts of the State Governments and Union territories in accordance with the approved payment and accounting procedure. The procedure for collection of stamp duty shall come into force with effect from the 13th day of September, 2009. Out of twenty eight States and seven Union territories, except State of Sikkam, where the provisions of the Companies Act ,1956 are not extended, the Central Government has sought authorisation to generate e-Stamps on their behalf. The Central Government has received authorization from only twenty-two State Governments and Union territory Administrations. As soon as the authorization from the remaining twelve States and Union territories, namely, Chandigarh, Daman and Diu, Himachal Pradesh, Kerala, Mizoram, Puducherry, Dadra and Nagar Haveli, Goa, Jammu and Kashmir, Lakshadweep, Nagaland and Tripura is received, the Central Government shall start collection of stamp duty on their behalf also.

(b) There shall be a transition period of three and a half months to enable the companies to use their already purchased stamp papers. The 1st day of January, 2010 shall be the cut off date for a company to compulsorily make payment electronically for stamp duty in respect of the States which have authorized the Central Government to collect stamp duty on their behalf. In respect of the States

from whom the authorization is yet to be received, the company shall continue to pay stamp duty outside the MCA portal .

(c) The company shall not make physical submission of documents on which stamp duty is paid electronically through MCA portal. However, documents on which stamp duty is not paid through MCA portal, the company shall, in addition to their electronic filing, submit physical copies of such stamped documents at the office of the Registrar also, simultaneously.

(d) Documents other than those specified in clause (a) which are not covered for payment of stamp duty through MCA portal, and on which stamp duty payable in respective State is equal to or less than one hundred rupees, such stamped documents, shall be scanned by the company and filed electronically for evidencing by the Registrar and need not be submitted physically except those required to be filed for compounding of offence under clause (a) of sub-section (4) of section 621A. However, the company shall retain such documents duly stamped in original for a minimum period of three years from the date of filing of such documents and shall be required to produce the same as and when the same is required for inspection and verification by the competent authorities namely, the Collector of Stamps of the respective State or Union territory or the Registrar”.

[F No 1/04 /2009 CL.V]
Renuka Kumar
Joint Secretary.

Note: The principal scheme was published vide number S.O.1844 (E) dated the 26th October, 2006.

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Opportunity for Practising Company Secretaries

September 18, 2009

Dear Professional Colleague,

We understand that the Ministry of Corporate Affairs has planned to deploy the services of professionals for conducting Technical Scrutiny of Balance Sheets of Companies and decided to prepare a Panel of Professionals for the purpose. Many of the Regional Councils and Chapters of the Institute have received letters from the respective RoCs of their regions requesting the ICSI to furnish names of the Members of the Institute who should be adequately competent to conduct Technical Scrutiny of Balance Sheets.

Company Secretaries in Practice, who are interested in the above assignment, are requested get in touch with the Regional Councils / Chapters in their respective regions and furnish their complete details like Name, Membership No., CP No., Date of Issue of CP, Professional Address, Phone Nos., email and any other detail which they may consider relevant to the Regional Council / Chapter for being forwarded to the respective RoCs.

I call upon all professional colleagues in practice to take advantage of this opportunity.

Regards,

CS N K Jain
Secretary & CEO

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RBI Updates

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RBI/2009-10/162

DNBS (PD) CC.No. 160 /03.10.001/2009-10

September 17, 2009

All deposit taking NBFCs (excluding RNBCs)

Dear Sirs,

Requirement for obtaining prior approval of RBI in cases of acquisition / transfer of control of NBFCs accepting deposits

Under Section 45 IA (4)(c) of the RBI Act, 1934, a certificate of Registration can only be given to a company if the Bank is satisfied, inter alia, that the general character of the management or the proposed management of the non-banking financial company shall not be prejudicial to the public interest or the interests of its depositors.

2. To enable RBI to verify that the 'fit and proper' character of the management of NBFCs is continuously maintained, it has been decided that any take over / acquisition of shares of a deposit taking NBFC or merger/amalgamation of a deposit taking NBFC with another entity or any merger/amalgamation of an entity with a deposit taking NBFC that would give the acquirer / another entity control of the deposit taking NBFC, would require prior permission of RBI.

3. Applications in this regard may be submitted to the Regional Office of the Department of Non-Banking Supervision in whose jurisdiction the Registered Office of the Company is located.

4. Notification No.DNBS(PD) 208 /CGM(ANR)/2009 dated September 17, 2009 issued in this regard by Reserve Bank in exercise of powers under Sections 45K and 45L of the RBI Act, 1934 is enclosed for meticulous compliance.

Yours sincerely,

(A Narayana Rao)
Chief General Manager-in-Charge

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**RESERVE BANK OF INDIA
DEPARTMENT OF NON-BANKING SUPERVISION
CENTRAL OFFICE
CENTRE I, WORLD TRADE CENTRE,
CUFFE PARADE, COLABA,
MUMBAI 400 005.**

Notification No. DNBS.(PD) 208/ CGM(ANR)-2009 dated September 17, 2009

In exercise of the powers conferred by sections 45K and 45L of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, Reserve Bank of India having considered it necessary in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary so to do, gives to every deposit taking NBFC the Directions hereinafter specified.

Short title and commencement of the Directions

1. (1) These Directions shall be known as the Non-Banking Financial Companies (Deposit Accepting) (Approval of Acquisition or Transfer of Control) Directions, 2009.

(2) These Directions shall come into force with immediate effect.

Definitions

2. For the purpose of these Directions, unless the context otherwise requires,-
(a) "control" shall have the same meaning as is assigned to it under clause (c) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
(b) "NBFC" means non-banking financial company as defined in clause (xi) of sub-paragraph (1) of Paragraph 2 of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

Prior approval of RBI in cases of acquisition or transfer of control of deposit taking NBFCs

3. Any takeover or acquisition of control of a deposit taking NBFC, whether by acquisition of shares or otherwise, or any merger/amalgamation of a deposit taking NBFC with another entity, or any merger/amalgamation of an entity with a deposit taking NBFC, shall require prior written approval of Reserve Bank of India.

Application of other laws not barred

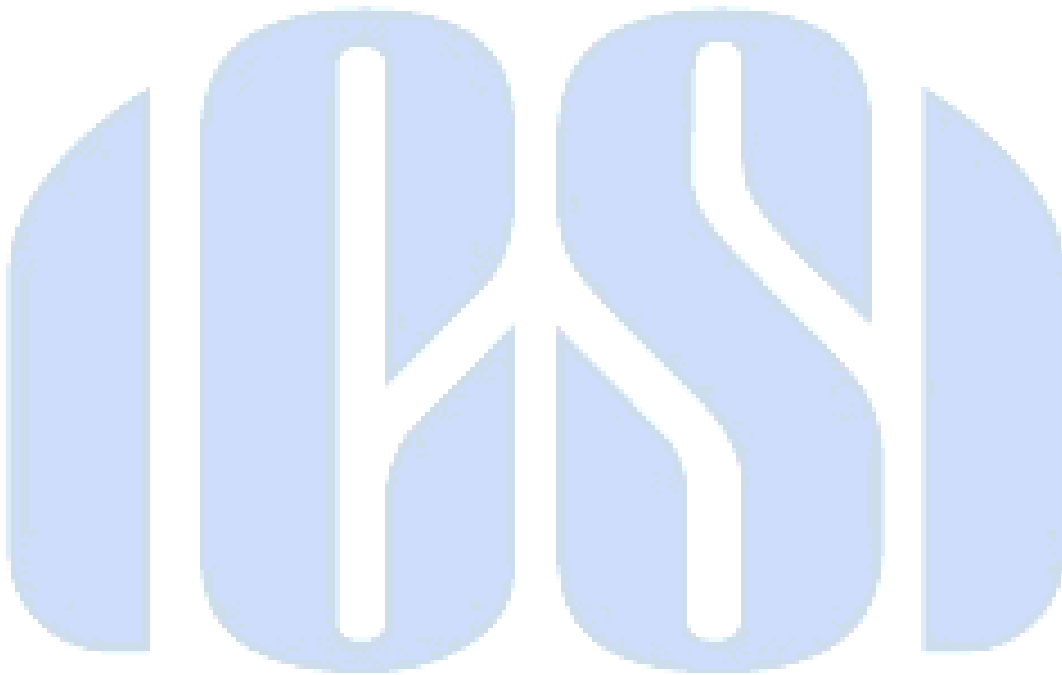
4. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other law, rules, regulations or directions, for the time being in force.

Exemptions

5. The Reserve Bank of India may, if it considers necessary for avoiding any hardship or for any other just and sufficient reason, exempt any NBFC or class of NBFCs, from all or any of the provisions of these Directions either generally or for any specified period, subject to such conditions as the Reserve Bank of India may impose.

A. Narayana Rao)
Chief General Manager In-Charge

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भारतीय रिजर्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2009-10/158

UBD. CO. BPD. PCB.Cir. No.9/12.05.001 / 2009-10

September 16, 2009

The Chief Executive Officers of
All Primary (Urban) Co-operative Banks

Dear Sir/Madam

**Adherence to KYC/AML guidelines while opening and conduct of the accounts of
Multi Level Marketing firms**

It has come to our notice that certain firms posing as Multi Level Marketing (MLM) agencies for consumer goods and services have been actually mobilizing large amounts of deposits from the public with promise of high returns. The names of some of these firms are:

- i. Fine India Sales Pvt. Ltd.
- ii. Lakshya Levels Marketing
- iii. Eve Industries
- iv. Trident Advertising & Trade Links Pvt. Ltd.
- v. Super Life Link Distributors
- vi. Lue Brain Education Society
- vii. Manya Mantra Marketing

2. The representatives of the above firms had opened accounts at various bank branches at different locations in the country and numerous small cash deposits were being made in those accounts. The firms and their agents had reportedly promised very high returns on deposits and lured common people to part with funds in the name of certain investment/deposit schemes. These funds, running into crores of rupees, were being pooled at the Principal Accounts of the MLM firms and the funds were eventually flowing out of those Principal Accounts for purposes apparently illegal or highly risky. These firms had managed to get very large number of cheque books issued from the banks and they have, in turn, issued to the depositors, post dated cheques for small amounts representing future interest dues and deposit payments. The small depositors

शहरी बैंक विभाग, केन्द्रीय कार्यालय, गारमेंट हाउस, पहली मंजिल, वरली, मुंबई - 400 018

फोन: 022 - 2493 9930 - 49, फैक्स: 022 - 2497 4030 / 2492 0231, ई मेल: cgmincubd@rbi.org.in

Urban Banks Department, Central Office, 1 Floor, Garment House, Worli, Mumbai - 400 018
Phone: 022 - 2493 9930 - 49, Fax: 022 - 2497 4030 / 2492 0231, Email: cgmincubd@rbi.org.in

बैंक हिन्दी में पत्राचार का स्वागत करता है।

were depositing the money in the accounts of MLMs at places far away from the places where the accounts were actually opened which was facilitated by Core Banking Solution (CBS) offered by the banks. Since the operations of the firms are essentially deposit taking activities involving unusually high returns, the ongoing repayments of interest and deposit amounts in respect of existing deposits would depend on continuous and uninterrupted flow of fresh deposits with increasing volumes. Therefore, at some stage, the flow of deposits is bound to be stifled and post dated cheques tendered thereafter would bounce, due to inadequate funds available in the accounts.

3. Some of the above firms were advertising their deposit schemes through websites. A few such website addresses are:

http://www.alaskaindia.net/business_plan.html

<http://www.fineindia.net/>

Preliminary reports reveal that the names of the banks, where the MLM firms or their agents were maintaining accounts were getting associated with such operations of MLM firms. This has potential reputational risk for the banks, especially in the event of the firms failing to repay the depositors. Incidentally, as it appears, during personal contacts with the prospective depositors some of these MLM firms or their agents had used the name of the banks where they had accounts.

4. In view of the above, we advise that banks should be careful in opening accounts of the marketing/trading agencies etc. Especially, strict compliance with KYC and AML guidelines contained in circulars [UBD.CO.BPD \(PCB\) No. 1/12.05.001/2008-09](#) dated July 02, 2008 and [UBD.PCB. Cir. 30/09.161.00/2004-05](#) dated December 15, 2004 issued by RBI should be ensured in the matter.

5. In cases where accounts have already been opened in the names of the marketing agencies, retail traders, investment firms, the banks may undertake quick reviews. Wherever large number of cheque books has been issued to such firms, the relative decision may be reviewed in the light of the following:

- Whether the cheque books have been issued to customers on the basis of their express request and after following the internal processes laid down in the matter.
- Whether the number of cheque books is consistent with/matching the profile of the customers as also their nature of business operations.

6. Even where the volume of transactions/profile of the customers apparently justify the number of cheque books issued, special ongoing monitoring of the operations in the accounts of such types of firms should be made especially if large volumes of small cash deposits are being made in those accounts and withdrawals are being made there from, through cheques written for small amounts, either across the counters or through clearing. In respect of such account holders banks may, in specific cases, call for the data from the account holders on the number and aggregate amount of post dated cheques issued. The data/information so collected should be analysed in select cases to rule out the possibility of the firms being engaged in deposit taking

activities. Certain indicative parameters for selecting accounts for further scrutiny and action are the bunching of dates of the post dated cheques, the uniformity in the amounts of cheques etc. These data should be analysed together with data on cash deposits of small amounts on previous distant dates resembling the deposit contracting/mobilizations dates in terms of similar bunching and uniformity of amounts.

7. Please acknowledge receipt. Also, unusual operations noticed during the above review may be immediately reported to us and other appropriate authorities, such as, Financial Intelligence Unit (FIU-IND), Department of Revenue, Ministry of Finance, Government of India, Hotel Samrat (6th Floor), Chanakyapuri, New Delhi - 110 021.

Yours faithfully,

(A. K. Khound)
Chief General Manager-in-Charge

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