

# **Paper 13 – Corporate Laws and Compliance**

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**Full Marks: 100**

**Time allowed: 3 hours**

**Section – A**

**1. Answer all questions.**

**(a) Multiple Choice Questions**

**[20 Marks]**

- (i) Where a member wishes to transfer only a part of his shareholding or wishes to sell them to two or more persons, he is required to submit the share certificate with the company. This certificate is known as \_\_\_\_\_.
- (a) Lodging Certificate**  
(b) Endorsement Certificate  
(c) Forwarding Certificate  
(d) None of the above
- (ii) \_\_\_\_\_ means a person liable to contribute towards the assets of the company in the event of its wound up.
- (a) Share Holder  
**(b) Contributory**  
(c) Promoter  
(d) Any of the above
- (iii) An arrangement provided by the issuer under which a person offers to purchase specified securities from the original resident retail individual allottees at the issue price is known as \_\_\_\_\_.
- (a) Hedging  
(b) Pledging  
**(c) Safety net arrangement**  
(d) None of the above
- (iv) Gold includes gold in the form of \_\_\_\_\_ whether legal tender or not, or in the form of bullion or ingot, whether refined or not.
- (a) Biscuits  
(b) Bricks  
(c) Bars  
**(d) Coins**
- (v) National Voluntary Guidelines, 2011 have been articulated in the form of \_\_\_\_\_ Principles with the Core Elements to actualize each of the principles.
- (a) 9**  
(b) 10  
(c) 12  
(d) 15

- (vi) When only a part of the shares is transferred, the company issues a ticket for the balance of shares not transferred. Such a ticket is known as
- (a) Issue Ticket
  - (b) Balance ticket**
  - (c) Balance Certificate
  - (d) Issue Certificate
- (vii) \_\_\_\_\_ means prohibition of transfer, conversion, disposition or movement of property by an order issued under PMLA 2002.
- (a) Lock-out
  - (b) Underwriting
  - (c) Attachment**
  - (d) Scrutiny
- (viii) A \_\_\_\_\_ includes an agreement or arrangement in writing for transfer of assets, or funds, goods or services, from or to the corporate debtor.
- (a) Transaction**
  - (b) Transfer
  - (c) Liquidation
  - (d) None of the above
- (ix) According to the Companies (Registration of Foreign Companies) Rules, 2014, every foreign company shall prepare \_\_\_\_\_
- (a) financial statement of its Indian business operations in accordance with Schedule III**
  - (b) financial statement of its Indian business operations
  - (c) its cash transaction records
  - (d) financial statement of its all business operations in accordance with Schedule III
- (x) \_\_\_\_\_, the maximum amount which can be invested by foreign investors in an entity, unless provided otherwise, is composite and includes all types of foreign investments, direct and indirect, regardless of whether the said investments have been made under different Schedules of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations.
- (a) Investment cap
  - (b) Sectoral cap**
  - (c) FDI cap
  - (d) Reparation cap

**Section – B**

**Answer any 5 questions:**

**[16×5 = 80]**

- 2. (a) Rapid Real Estate Limited, a listed company has made the following profits; the profits reflect eligible profits under the relevant section of the Companies Act, 2013.**

Financial year	Amount (₹ in crores)
2011-12	20
2012-13	40
2013-14	30
2014-15	70
2015-16	50

- (i) Calculate the amount that the company has to spend towards CSR.  
(ii) Give the composition of the CSR committee of a listed and unlisted company.  
(iii) Will the company suffer penalties if they fail to provide for or incur expenditure for CSR **[8]**

**Answer:**

Section 135 read with Companies (Corporate Social Responsibility Policy) Rules, 2014 of the Companies Act, 2013 deals with the provisions, related to the Corporate Social Responsibility.

As per the given facts, following are the answers in the given situations-

- (i) Amount that Company has to spend towards CSR: According to section 135 of the Companies Act, 2013, the Board of every company shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy.

Accordingly, net profits of Rapid Real Estate Ltd. for three immediately preceding financial years is 150 crores (30+70+50) and 2% of the average net profits of the company made during these three immediately preceding financial years will constitute 1 crore,- can be spent towards CSR in financial year 2016-2017.

- (ii) Composition of CSR Committee:
- (a) In the case of listed company, the CSR Committee shall consist of three or more directors, out of which at least one director shall be an independent director.
- (b) Whereas in case of an unlisted public company or a private company, is not required to appoint an independent director and shall have its CSR Committee without such director. A private company having only two directors on its Board shall constitute its CSR Committee with two such directors.
- (iii) In case of failure to incur expenditure for CSR: If the company fails to provide such amount or incur expenditure for CSR, the Board shall, in its report, under section 134 of the Companies Act, 2013 specify the reasons for not spending the amount.

As no quantum of punishment is given under section 135, section 450 of the Companies Act, 2013 says that, the company and every officer of the company or any other person who is in default or contravenes in compliances with section 135 shall be punishable with fine which may extend to ₹ 10,000. In case of continuation of contravention with further fine extending to ₹ 1,000 for every day after the first during which the contravention continues.

**(b) A producer company was incorporated on 1st September, 2009. At present the paid-up Share Capital of the company is ₹10 lakhs consisting of 1,00,000 Equity Shares of ₹10 each fully paid-up held by 200 individuals and 20 producers institutions. You are required to answer the following with reference to the provisions of the Companies Act, 1956:**

- (i) What is the time limit for holding the First Annual General Meeting and the subsequent Annual General Meetings?**
- (ii) What is the Quorum for the Annual General Meeting?**
- (iii) State the manner in which the voting rights of the members are determined.**
- (iv) Is it possible to remove a member?**

**[8]**

**Answer:**

- (i) Annual General Meeting - The first annual general meeting of a producer company shall be held within 90 days of incorporation i.e. on or before 29<sup>th</sup> November, 2009 in this case [Sec. 581 ZA(2)]. In the case of subsequent AGMs gap between two AGMs must not be more than 15 months. Registrar of Companies may extend the time for holding any AGM other than the first AGM by a period not exceeding 3 months for any special reason [581 ZA(i)]
- (ii) Quorum Unless the articles of association of the producer company provide for a larger number, 1/4<sup>th</sup> of the total number of members of the producer company shall be the quorum for its annual general meeting. In this case the company has got 220 members. Hence the quorum is 55 [Sec. 581ZA(8)].
- (iii) Voting rights of members: It depends on the type of membership. Where the membership consists of individuals and producer institutions, (as in this case) voting rights should be computed on the basis of a single vote for every member [Section 581 D(c)]
- (iv) Removal of member: No person, who has any business interest which is in conflict with business of the producer company, shall become a member of that company (Section 581 D(4)). A person who has become a member of the producer company acquires any business interest which is on conflict with the business of the producer company, shall cease to be a member of that company and be removed as a member in accordance with the articles [Sec. 581 D(5)].

3. (a) **WILSON Limited is facing loss in business during the current Financial Year 2015-16. In the immediate preceding three financial years, the company had declared dividend at the rate of 8%, 10% and 12% respectively. To maintain the goodwill of the company, the Board of Directors has decided to declare 12% interim dividend for the current financial year. Examine the applicable provisions of the Companies Act, 2013 and state whether the Board of Directors can do so.** [5]

**Answer:**

Declaration of Interim Dividend; According to Section 123(3) of the Companies Act, 2013, the Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared.

However, in case the company has incurred loss during the current financial year up to the end of quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.

In the given case the company is facing loss during the current financial year 2015-16. In the immediate preceding three financial years, the company declared dividend at the rate of 8%, 10% and 12%. As per the above mentioned provision, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years [i.e.  $8+10+12=30/3=10\%$ ]. Therefore, decision of Board of Directors to declare 12% of the interim dividend for the current financial year is not tenable.

- (b) **Mr. Deshmukh is a director of Practical Ltd. The said company is having sufficient liquid funds and Mr. Deshmukh is in dire need of funds. In order to mitigate the hardship of Mr. Deshmukh the board of directors of Practical Ltd. wants to lend ₹5 lakhs to him and ₹2 lakhs to his wife. State whether such loans can be given and if so under what conditions. What would be your answer if the company Practical Ltd. would have been Practical Private Ltd.** [5]

**Answer:**

Loan to Director and his relative: According to Section 185 of the Companies Act, 2013, no company shall, directly or indirectly, advance any loan, including any loan represented by a book debt, to any of its directors or to any other person in whom the director is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person.

Thus, in the instant case, if Practical Ltd. wants to lend ₹ 5 Lakhs to Mr. Deshmukh who is a director in Practical Ltd. and ₹ 2 Lakhs to his wife, then it is in violation of Section 185 of the Companies Act, 2013.

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If Practical Ltd would have been Practical Private Ltd. than vide Notification No. G.S.R. 464 (E) dated 5th June 2015, Section 185 of the Companies Act, 2013 shall not apply to a Private companies in certain conditions.

**(c) The Board of directors of Best Ltd. are contributing every year to a charitable organization a sum of ₹60,000. In a particular year, the company suffered losses and the directors are contemplating to contribute the said amount in spite of the losses. In this connection, state whether the directors can do so? [6]**

**Answer:**

Under section 181 of the Companies Act, 2013 the Board of Directors of a company is authorized to contribute to bonafide charitable and other funds. However, in case the aggregate amount of such contribution in any financial year exceeds five per cent, of its average net profits for the three immediately preceding financial years, prior permission of the company in general meeting shall be required.

The section does not make it mandatory for the company to have a profit for making a charitable contribution in a financial year. As the amount of donation is restricted to the average of previous 3 years' profits, it is possible for a company suffering a loss to make a contribution provided it is to a bonafide charitable fund.

In the present case, even though the company has incurred a loss it can contribute to the charitable fund only if it is a bonafied charitable fund and' the amount is upto 5% of the average of the preceeding three years' profits. In case the contribution exceeds the limit, the prior approval of the members must be taken at a general meeting of the company.

**4. (a) Mr. Kamal, a Chartered Accountant, was appointed by the Board of Directors of Reliable Limited as the First Auditor. The company in General Meeting removed Mr. Kamal without seeking the approval of the Central Government and appointed Mr. Naresh as Auditor in his place. Examine the validity of the appointment with reference to the provisions of Companies Act, 2013. [6]**

**Answer:**

Removal of first auditor: Section 140(1) stipulates that any auditor appointed under Section 139 may be removed from office before the expiry of his term by passing special resolution in general meeting, after obtaining the previous approval of the Central Government in that behalf.

Provided that before taking any action under subsection (i) of Section 140, the auditor concerned shall be given a reasonable opportunity of being heard. The first auditors appointed by Board of Directors can be removed in accordance with the provision of Section 140(1) of the Companies act, 2013. Hence the removal of the first auditor appointed by the Board without seeking the approval of the Central Government is invalid. The company contravened the provision of the Act.

**(b) What are the duties of the inspector as enumerated in Sec 223 of the Companies Act, 2013 in relation to his report. [6]**

**Answer:**

Section 223 of the Companies Act, 2013 deals with Inspector's report. The following provisions are applicable in respect of the Inspector's report on investigation:

- (i) Submission of interim report and final report [Sub section (1)]: An inspector appointed under this Chapter (Chapter XIV- inspection, Inquiry and Investigation) may, and if so directed by the Central Government shall, submit interim reports to that Government, and on the conclusion of the investigation, shall submit a final report to the Central Government.
- (ii) Report to be writing or printed [Sub section (2)]: Every report made under sub section (1) above shall be in writing or printed as the Central Government may direct.
- (iii) Obtaining copy or report [Sub section (3)]: A copy of the above report may be obtained by making an application in this regard to the Central Government,
- (iv) Authentication of report [Sub section (4)]: The report of any inspector appointed under this Chapter shall be authenticated either —
  - (a) by the seal, if any, of the company whose affairs have been investigated; or
  - (b) by a certificate of a public officer having the custody of the report, as provided under section 76 of the Indian Evidence Act, 1872, and such report shall be admissible in any legal proceeding as evidence in relation to any matter contained in the report.
- (v) Exceptions: Nothing in this section shall apply to the report referred to in section 212 of the Companies Act, 2013.

**(c) Examine with reference to the provisions of the Companies Act, 2013 whether notice of a Board Meeting is required to be sent to the following persons:**

- (i) An interested Director;**
- (ii) A Director who has expressed his inability to attend a particular Board Meeting;**

**[4]**

**Answer:**

Notice of Board meeting

- (i) Interested director: Section 173(3) of the Companies Act, 2013 makes it mandatory for every director to be given proper notice of every board meeting. It is immaterial whether a director is interested or not. In case of an Interested Director, notice must be given to



him even though he is precluded from voting at the meeting on the business to be transacted.

- (ii) A Director who has expressed his inability to attend a particular Board Meeting; In terms of section 173(3) even if a director states that he will not be able to attend the next Board meeting; notice must be given to that director.

**5. (a) As per the provisions of the Banking Regulation Act, 1949, a Banking Company in addition to the business of Banking, may carry on some general utility services as listed in Section 6. List out any five of the general utility services, that a bank may carry on. [6]**

**Answer:**

Section 6 of the Banking Regulation Act. 1949 provides a list of activities which a banking company may engage in addition to the business of banking. From among them, General Utility Services, which can be provided by a bank are as follows:

- (1) Providing safe-custody facility to its customers for keeping their valuables;
- (2) Providing the facility of Safe Deposit Vault (Locker) under lease agreement to its customers for keeping their valuables;
- (3) Technology based general utility services like Tele-banking, Phone-banking, On-line banking, Home banking, Single window banking, Demat services for security trading, ATM services, Credit Card services etc.,
- (4) Consultancy services;
- (5) ECS services for payment of different dues of the people;
- (6) Payment of pension;
- (7) Payment of salaries of employees of schools etc.;

**(b) State the procedure wherein a corporate insolvency resolution process can be initiated by a financial creditor? [10]**

**Answer:**

Section 7 of Insolvency and Bankruptcy Code deals with initiation of corporate insolvency resolution process by a financial creditor. The process can be explained as under:

**(1) Filing of application before the Adjudicating Authority for initiating corporate insolvency resolution process**

A financial creditor either by itself or jointly with other financial creditors may file an application for initiating corporate insolvency resolution process against a corporate debtor before the Adjudicating Authority when a default has occurred.

For this purpose, a default includes a default in respect of a financial debt owed not only to the applicant financial creditor but to any other financial creditor of the corporate debtor.

### **(2) Form and manner of making application**

The application shall be in such form and manner and accompanied with such fee as may be prescribed.

### **(3) Enclosures to application**

Following documents and information shall be furnished along with the application:

- (a) Record of the default recorded with the information utility or such other record or evidence of default as may be specified.
- (b) The name of the resolution professional proposed to act as an interim resolution professional.
- (c) Any other information as may be specified by the Board.

### **(4) Duty of Adjudicating Authority to ascertain the existence of a default**

The Adjudicating Authority shall, within 14 days of the receipt of the application, ascertain the existence of a default from the records of an information utility or on the basis of other evidence furnished by the financial creditor.

### **(5) Admission of application by the Adjudicating Authority**

The Adjudicating Authority may, by order, admit such application, if it is satisfied that -

- (a) a default has occurred;
- (b) the application for initiating corporate insolvency resolution process is complete; and
- (c) no disciplinary proceedings are pending against the proposed resolution professional.

### **(6) Rejection of application by the Adjudicating Authority**

The Adjudicating Authority may, by order, reject such application, if it is satisfied that -

- (a) default has not occurred; or
- (b) the application for initiating corporate insolvency resolution process is incomplete; or
- (c) any disciplinary proceeding is pending against the proposed resolution professional.

Before rejecting the application, the Adjudicating Authority shall give a notice to the applicant to rectify, within 7 days, the defect in his application.

### **(7) Commencement of corporate insolvency resolution process**

The corporate insolvency resolution process shall commence from the date of admission of the application by the Adjudicating Authority.

6. (a) A Ltd. and B Ltd. both dealing in chemicals and fertilizers have entered into an agreement to jointly promote the sale of their products. A complaint has been received by the Competition Commission of India (CCI) stating that the agreement between the two is anti-competitive and against the interests of others in the trade. Examine with reference to the provisions of the Competition Act, 2002, what are factors of CCI will take into account to determine whether the agreement in question will have any appreciable adverse effect on competition in the market. [4]

**Answer:**

Factors determining appreciable adverse effect on competition: The Competition Commission of India (CCI), while determining whether an agreement is anti-competitive under section 3 of the Competition Act, 2002, will take into account the following factors:

- (a) Creation of barriers to new entrants in the market.
- (b) Driving existing competitions out of the market.
- (c) Foreclosure of competition by hindering entry into the market.
- (d) Accrual of benefits to consumers.
- (e) Improvements in production or distribution of goods or provision of services and
- (f) Promotion of technical, scientific and economic development by means of production or distribution of goods or provision of services.

**(b) Bareilly Stock Exchange wants to get itself recognize. Explain:**

**(i) Who enjoys the power to recognize stock exchange?**

**(ii) What information will have to be provided with the application for recognition?**

[6]

**Answer:**

- (i) Power to recognize Stock Exchange vests with Central Government. However, Central Government has delegated the power to SEBI vide its notification No.F.No.1/57/SE/93 dated 13.9.94. (Section 3 of Securities Contracts (Regulation) Act, 1956).
- (ii) Application for recognition must be accompanied with Bye-Laws, Rules, Regulations which must contain specific details on:
  - 1. Constitution, powers of management and manner of transacting business by the Governing Body of the Stock Exchange
  - 2. Powers and duties of the office bearers of Stock Exchange.
  - 3. Various classes of Members, qualification of membership and the exclusion, suspension, expulsion and re-admission of members.
  - 4. The procedure for registration of Partnership as members to stock exchange and rules of nomination of authorized representatives.

Membership provisions, composition of Board Powers of Governing Board are defined in the Articles of the Exchange. Rules governing Listing Trading and Settlement, Penalties and Prohibitions, Disciplinary Actions and Defaults are defined in Bye-Laws of the Exchange.

**(c) State the "Insurable Interest" — based on the Insurance Act, 1938.**

**[6]**

**Answer:**

To constitute insurable interest, it must be an interest such "that the risk would by its proximate effect cause damage to the assured, that is to say, cause him to lose a benefit or incur a liability. The validity of an insurance contract in India is dependent on the existence of an insurable interest in the subject matter. The person seeking an insurance policy must establish some kind of interest in the life or property to be insured, in the absence of which, the insurance policy would amount to a wager and consequently void in nature.

The test for determining if there is an insurable interest is whether the insured will in case of damage to the life or property being insured, suffer pecuniary loss [New India Insurance Company Ltd. v. G.N. Sainani (1997) 6 SCC 383]. A person having a limited interest can also insure such interest.

Insurable interest varies depending on the nature of the insurance. The controversy as to the existence of an insurable interest between spouses was settled by the court, which held that such an interest could exist as neither was likely to indulge in any 'mischievous game'. The same analogy may be extended to parents and children. Further, the courts have also held that such an insurable interest would exist for a creditor (in a debtor) and for an employee (in an employer) to the extent of the debt incurred and the remuneration due, respectively.

The existence of insurable interest at the time of happening of the event is another important consideration. In case, of life and personal accident insurance it is sufficient if the insurable interest is present at the time of taking the policy. However, in the case of fire and motor accident insurance the insurable interest has to be present both at the time of taking the policy and at the time of the accident. The case is completely different with marine insurance wherein there need not be any insurable interest at the time of taking the policy.

**7. (a) Corporate Social Responsibility (CSR) is also called Corporate Citizenship or Corporate Responsibility? — Discuss** **[8]**

**Answer:**

Corporate Social Responsibility is a concept where by companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. The main function of an enterprise is to create value through producing goods and services that society demands, thereby generating profit for its owners and shareholders as well as welfare for society, particularly through an ongoing process of job creation.

Corporate Social Responsibility can be explained as:

- Corporate - means organized business
- Social - means everything dealing with the people
- Responsibility - means accountability between the two.

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The term corporate citizenship implies the behavior which would maximize company's positive impact and minimize the negative impact on its' social and physical environment.

CSR means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment.

**(b) 'The typical organizational structure of PSUs makes it difficult for the implementation of Corporate Governance practices as applicable to other publicly- listed private enterprise.' In the above context, list the difficulties encountered in Governance. [8]**

**Answer:**

While routine governance regulations become applicable for public sector companies formed under the Companies Act, 2013 and come under the purview of SEBI regulations the moment they mobilize funds from the public, the typical organizational structure of PSUs makes it difficult for the implementation of corporate governance practices as applicable to other publicly - listed private enterprises. The typical difficulties faced are:

- ❖ The board of directors will comprise essentially of bureaucrats drawn from various ministries which are interested in the PSU. In addition, there may be nominee directors from banks or financial institutions who have loan or equity exposures to the unit. The effect will be to have a board much beyond the required size, rendering decision-making a difficult process.
- ❖ The chief executive or managing director (or chairman and managing director) and other functional directors are likely to be bureaucrats and not necessarily professionals with the required expertise. This can affect the efficient running of the enterprise.
- ❖ Difficult to attract expert professionals as independent directors. The laws and regulations may necessitate a percentage of independent components on the board; but many professionals may not be enthused as there are serious limitations on the impact they can make.
- ❖ Due to their very nature, there are difficulties in implementing better governance practices. Many public sector corporations are managed and governed according to the whims and fancies of politicians and bureaucrats. Many of them view PSUs as a means to their ends. A lot of them have turned sick due to overdoses of political interference, even when their areas of operations offered enormous opportunities for advancement and growth. And when the economy was opened up, many of them lacked the competitiveness to fight it out with their counterparts from the private sector.

**8. Write a note on: (Any Four)**

**[4 × 4 = 16]**

- (i) Actuarial Valuation/ Report (Section 13 of Insurance Act, 1938)**
- (ii) Lock - in of Specified Securities held by promoters.**
- (iii) STR (Suspicious Transaction Reports)**

- (iv) Grant of recognition to Stock Exchanges—Conditions, Section 4(2) SCRA, 1956.**
- (v) Information Utilities under, Insolvency and Bankruptcy Code, 2016**

**Answer:**

**(i) Actuarial Valuation / Report (Section 13)**

At least once a year, every insurer carrying on life insurance business shall cause an investigation of the life insurance business carried on by him including a valuation of his liabilities in respect thereto and shall cause an abstract of the report of such actuary to be made in accordance with the regulations. The Authority may, having regard to the circumstances of any particular insurer, allow him to have the investigation made as at a date not later than two years from the date as at which the previous investigation was made. If the investigation is made annually by any insurer, the statement need not be appended every year but shall be appended at least once in every three years.

**(ii) Lock - in of specified securities held by promoters**

In a public issue, the equity shares and convertible debentures held by promoters are locked - in for the period stipulated below:

- 1) Minimum promoters contribution is locked - in for a period of 3 years from the date of commencement of commercial production or date of allotment in the public issue, whichever is later.
- 2) Promoters' holding in excess of minimum promoters' contribution is locked-in for a period of 1 year. However, excess promoters' contribution in a further public offer is not subject to lock-in.

However, excess promoters' contribution in a further public offer is not subject to lock-in.

**(iii) STR (Suspicious Transaction Reports)**

The Prevention of Money laundering Act, 2002 and the Rules made there under require every banking company to furnish details of suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith:

- 1) Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime, or
- 2) Appears to be made in circumstances of unusual or unjustified complexity, or
- 3) Appears to have no economic rationale or bonafide purpose.

**(iv) Grant of recognition to stock exchanges -Conditions: Section 4(2), SCRA, 1956**

The conditions may include, condition relating to:

- 1) qualification for Membership of the Stock Exchange.
- 2) manner in which contracts shall be entered into and enforced as between members.
- 3) representation of the Central Government on the Stock Exchange (not exceeding 3 nominated by the Central Government,)

- 4) maintenance of Accounts of members and their audit by Chartered Accountants whenever audit is required by the Central Government.

### **(v) Information Utilities**

The Insolvency and Bankruptcy professionals are expected to function on basis of financial information available electronically. Information Utility will collect, collate, authenticate and disseminate financial information to be used in insolvency, liquidation and bankruptcy proceedings.

"Information utility" means a person who is registered with the 'Insolvency and Bankruptcy Board of India' (Board) as an information utility under Section 210 of Insolvency and Bankruptcy Code, 2016 - Section 3(21) of Insolvency and Bankruptcy Code, 2016. They will have to be registered with Board - Section 209 of Insolvency and Bankruptcy Code, 2016.

The information utility shall provide services as may be specified by Board. It will also provide core services to any person if such person complies with terms and conditions as may be specified in regulations - Section 213 of Insolvency and Bankruptcy Code, 2016.

"Core services" means services rendered by an information utility for –

- (a) accepting electronic submission of financial information in such form and manner as may be specified
- (b) safe and accurate recording of financial information
- (c) authenticating and verifying the financial information submitted by a person; and
- (d) providing access to information stored with the information utility to persons as may be specified - Section 3(9) of Insolvency and Bankruptcy Code, 2016.