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) When the liability of the members of a company is limited by its memorandum of association to the amount (if any) unpaid on the shares held by them, it is known as a _____

(a) company limited by shares
(b) company limited by guarantee
(c) Unlimited Company
(d) None of the above

(ii) _____ means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company.

(a) Director
(b) Manager
(c) Managing Director
(d) Promoter

(iii) Any remuneration for services rendered by any such director in other capacity shall not be so included if

(a) the services rendered are of a professional nature
(b) it is with approval of the Nomination and Remuneration Committee
(c) it is with approval of the Board of Directors
(d) None of the above

(iv) _____ means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year [Sec 2 (91)].

(a) Profits
(b) Net sales
(c) Turnover
(d) Net profit

(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) Authorized Bank' means a bank including _____ (other than an authorized dealer) authorized by the Reserve Bank to maintain an account of a person resident outside India.
(a) a Public Sector bank
(b) a Private Sector bank
(c) a co-operative bank
(d) a Non – Banking Financial Institution

(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) Guidance on implementation of principles and core elements states that the action _____ should focus on building strong relationships and engaging with stakeholders on a consistent and continuous basis is crucial.
(a) leadership
(b) integration
(c) engagement
(d) reporting

(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) Repariation cap

Section – B

Answer any 5 questions: **[16×5 = 80]**

2. (a) Powers of Tribunal to assess damages against delinquent directors. Discuss citing a few case laws. **[8]**

Answer:

1. In the matter of Ajay G Podar v. Official Liquidator of JS & WM & Ors. (2008) 85 CLA 398 (SC), Hon'ble Supreme Court has held that section 543(2) of the Companies Act, 1956 [Section 340 under the Companies Act, 2013] deals with the limitation of applications/claims including misfeasance proceedings and prescribes five (5) years period of limitation from the date of the winding up order for filing an application under section 543 (1). However, section 458A of the Companies Act, 1956 [Section 358 under the Companies Act, 2013] provides for the concept of computation of the limitation period. Section 458A being a non obstante clause exclude the period starting from commencement of winding up proceedings till the date on which winding up order is passed and a period of one (1) year thereafter. In view of the above, misfeasance proceedings filed by the OL are well within limitation period.

2. In L.K. Prabhu v. S.M. Ameerul Millath (2002) 40 SCL 385 (Ker HC), it was held that application under Section 543 (for damages for misapplication or misfeasance) [Section 340 under the Companies Act , 2013] is maintainable against Official Liquidator also , as liquidator' includes 'Official Liquidator'. Moreover he is 'Officer' of the company as defined in Section 2(30), even if not specifically mentioned in the definition. However there should be prima facie case against him and there is substance in the allegations. If Official Liquidator has acted in good faith, he is entitled to protection under Section 635A [Section 456 under the Companies Act, 2013].

3. In Official Liquidator v. Ashok Kumar, (1976) 46 Comp. Cas. 575 (Pat), it was held that a director who has not been duly elected and has taken his qualification shares shall be liable if he has acted as such. In other words, where a director continued to act de facto without being validly elected, he shall be liable for misfeasance.

4. The extent of liability of the Legal Representative: In the case of death of the director, it was held by the Supreme Court that the proceedings commenced against the delinquent director of a liquidated company can be continued against his legal representatives and the amount declared to be due in such misfeasance proceeding can be realized from the estate of the deceased on the hands of his legal representatives. The Court further held that the legal representatives would not, however, be liable for any sum beyond the value of the estate of the deceased in their hands [Official Liquidator, Supreme Bank Ltd. V.P.A. Tendolkar (1973) 43 Comp. (Case 382)] and [Official Liquidator vs. Parthasarthy Sinha (1983) 53. Comp. Case (SC) (3c)].

(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 29th 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, 1/4th 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) State the provisions and the applicability of 'resolutions and agreements to be filed' as per Section 117 of Companies Act, 2013. [9]

Answer:

(1) A copy of every resolution or any agreement, in respect of matters specified in sub-section (3) together with the explanatory statement under section 102, if any, annexed to the notice calling the meeting in which the resolution is proposed, shall be filed with

the Registrar within thirty days of the passing or making thereof in such manner and with such fees as may be prescribed.

Provided that the copy of every resolution which has the effect of altering the articles and the copy of every agreement referred to in sub-section (3) shall be embodied in or annexed to every copy of the articles issued after passing of the resolution or making of the agreement.

(2) If a company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified **therein**, the company shall be punishable with fine which shall **not be less than one lakh rupees** but which may extend to twenty-five lakh rupees and every officer of the company who is in default, including liquidator of the company, if any, shall be punishable with fine which shall not be less than **fifty thousand rupees** but which may extend to five lakh rupees.

(3) The provisions of this section shall apply to—

(i) special resolutions;

(ii) resolutions which have been agreed to by all the members of a company, but which, if not so agreed to, would not have been effective for their purpose unless they had been passed as special resolutions;

(iii) any resolution of the Board of Directors of a company or agreement executed by a company, relating to the appointment, re-appointment or renewal of the appointment, or variation of the terms of appointment, of a managing director;

(iv) resolutions or agreements which have been agreed to by any class of members but which, if not so agreed to, would not have been effective for their purpose unless they had been passed by a specified majority or otherwise in some particular manner; and all resolutions or agreements which effectively bind such class of members though not agreed to by all those members;

(v) resolutions requiring a company to be wound up voluntarily passed in pursuance of Section 59 of the Insolvency and Bankruptcy Code, 2016

(vi) resolutions passed in pursuance of sub-section (3) of section 179;

Provided that no person shall be entitled under section 399 to inspect or obtain copies of such resolutions;

Provided further that nothing contained in this clause shall apply to a banking company in respect of a resolution passed to grant loans, or give guarantee or provide security in respect of loans under clause (f) of sub-section (3) of section 179 in the ordinary course of its business; and

(vii) any other resolution or agreement as may be prescribed and placed in the public domain.

(b) 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? [7]

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. Rishab an Indian citizen holds 25% of the paid up capital of International Fashions Limited, a company which was incorporated in America with a paid up capital of 10 million Dollars. India Fashions Limited a company registered in India holds 30% of the paid up capital of International Fashions Limited. International Fashions Limited has recently established a share transfer office at New Delhi. The Company seeks your advise as to what formalities it should observe as a foreign company under the Companies Act, 2013. [10]

Answer:

In terms of the definition of a foreign company under section 2 (42) of the Companies Act, 2013 a "foreign company" means any company or body corporate incorporated outside India which:

(i) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and
(ii) conducts any business activity in India in any other manner.

According to Section 386 of the Companies Act, 2013, "Place of business" includes a share transfer or registration office.

Further, Section 379 states that where not less than 50% of the paid -up share capital, whether equity or preference or partly equity and partly preference, of a foreign company is held by one or more citizens of India or by one or more companies or bodies corporate incorporated in India, or by one or more citizens of India and one or more companies or bodies corporate incorporated in India, whether singly or in the aggregate, such company shall comply with the provisions of this Chapter and such other provisions of this Act as may be prescribed with regard to the business carried on by it in India as if it were a company incorporated in India.

In the case given in the question, the following facts are given:

(a) International Fashions Ltd. was incorporated in America and has a place of business (share transfer office) in New Delhi, hence, it is a foreign company.
(b) Its shareholding comprises of 25% held by Mr. Rishab who is a citizen of India and 30% by Indial Fashions Limited which is a company registered in India. Together the two Indian shareholders hold 55% of the share capital of International Fashions Ltd.

Therefore, although International Fashions Ltd. is a foreign company, due to the holding of more than 50% of its share capital by two Indian entities, it will be covered under section 379 and will be treated as a company incorporated in India or as an Indian Company.

However, it may be noted that under section 379, the application of the Companies Act, 2013 on International Fashions Ltd. will be only in respect of business carried by it in India and not in relation to its business anywhere outside India.

Under Section 380 of the Act, a foreign company is required to file for registration within 30 days of the establishment of a place of business in India the following documents with the Registrar:

(a) a certified copy of the instrument constituting or defining the constitution of the company.
(b) the full address of the registered or principal office of the company;
(c) a list of the directors and secretary of the company containing such particulars as prescribed under Companies (Registration of Foreign Companies) Rules, 2014;
(d) the name and address or the names and addresses of one or more persons resident in India who is authorized for correspondence on behalf of the company.;
(e) the full address of the office of the company in India which is deemed to be its principal place of business in India;
(f) particulars of opening and closing of a place of business in India on earlier occasion or occasions;
(g) declaration that none of the directors of the company or the authorized representative in India has ever been convicted or debarred from formation of companies and management in India or abroad; and
(h) any other information as may be prescribed.

(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.

Exceptions: Nothing in this section shall apply to the report referred to in section 212 of the Companies Act, 2013.

5. (a) Roy Infrastructure Limited, a listed company wishes to issue equity shares on preferential basis pursuant to a scheme approved under Corporate Debt Restructuring framework specified by Reserve Bank of India to various persons selected by the Board of directors of the company. Following information relevant to the preferential issue is available:

(i) Total number of equity shares to be issued: 30 lakhs equity shares of ₹ 10 each out of which 10 lakh equity shares will be allotted on 30th June as fully paid up and balance 20 lakh equity shares shall be allotted on the same date but paid up to ₹5 each and balance ₹ 5 shall be called upon at a later date and shall be paid up on 30th November, 2017.

(ii) Out of the proposed allottees some persons are holding their shares in physical form and not in dematerialized form and some persons had sold their entire shareholding in January 2017.

(iii) The meeting of general body of shareholders for approving the preferential issue was held on 15th December 2016.

Based on the above information you are required to answer the following queries with reference to the SEBI (ICDR) Regulations:

(i) What would be the lock-in period for the shares allotted on preferential basis?

(ii) Who are the persons not entitled for allotment of shares on preferential basis?

[10]

Answer:

(i) Lock -in period for the Shares allotted on Preferential Basis: Regulation 78(4), SEBI, (ICDR) Regulations, 2009.

As per the aforesaid regulation, the equity shares issued on preferential basis pursuant to a scheme of corporate debt restructuring as per the Corporate Debt Restructuring framework specified by the Reserve Bank of India shall be locked- in for a period of one year from the date of trading approval. Provided that partly paid up equity shares, if any, shall be locked -in from the date of trading approval and the lock -in shall end on the expiry of one year from the date when such equity shares become fully paid up. Accordingly, the first lot of 10 lakhs full paid equity shares issued on 30th June, 2017 will have a lock -in period of 1 year from the date of trading approval i. e. till 30th June, 2018. In respect of the second lot, of partly paid 20 lac equity shares, the lock in period will be till 30th November, 2018 being the date on which the calls shall be paid up on 30th November, 2017.

(ii) Persons not entitled for allotment of shares on preferential basis (Regulation 72)

(1) A listed issuer may make a preferential issue of specified securities, if:

(a) a special resolution has been passed by its shareholders;

(b) all the equity shares, if any, held by the proposed allottees in the issuer are in dematerialized form;

(c) the issuer is in compliance with the conditions for continuous listing of equity shares as specified in the listing agreement with the recognized stock exchange where the equity shares of the issuer are listed;

(d) the issuer has obtained the Permanent Account Number of the proposed allottees.

(2) The issuer shall not make preferential issue of specified securities to any person who has sold any equity shares of the issuer during the six months preceding the relevant date.

As per Regulation 71, in case of preferential issue of equity shares pursuant to a scheme approved under the Corporate Debt Restructuring framework of Reserve Bank of India,

the date of approval of the Corporate Debt Restructuring Package shall be the relevant date. i.e., 15th December 2016 in the given case.

Since, in the given question the said persons had already sold their entire shareholding in ROY Ltd. in January 2017 i.e. after the date of approval of the Restructuring package (i.e. 15th December, 2016), they will not fall within the purview of time limit as provided under Regulation 72 (Persons not entitled for allotment of shares on preferential basis). Hence, only the persons who are not holding their shares in ROY Ltd. in dematerialized form, shall not be entitled for preferential allotment of shares.

(b) Diamonds International Ltd. who is a foreign trade creditor having its office in Chicago wanted to file a petition under the Insolvency and Bankruptcy Code, 2016 on default of the debtor in India. It moved a petition u/s 9 of the Code seeking commencement of insolvency process. The foreign company was not having any office or bank account in India. Because of this, it could not submit a "Certificate from a financial institution" as required under the Code. Whether the petition is permissible under the Insolvency and Bankruptcy Code, 2016? Decide. [6]

Answer:

As per the definition of the Creditor given in Section 3(10) of the Insolvency and Bankruptcy Code, 2016, it means any person to whom a debt is owed and includes a financial creditor, an operational creditor, a secured creditor, an unsecured creditor, and a decree holder. So, Diamond International Ltd. is a creditor under the purview of the Code.

As per the facts given in question, Diamond International Ltd., is a foreign trade creditor. He wanted to file a petition under the under Section 9 of the Insolvency and Bankruptcy Code, 2016 for commencement of Insolvency process against the defaulter in India. Diamond International Ltd. was not having any office or bank account in India.

As per the requirement of section 9 of the Code, along with application certain documents were needed to be furnished by the creditor to the Adjudicating authority. Being a foreign trade creditor, Diamond International Ltd was also required to provide a copy of certificate from the financial institutions maintaining accounts of the creditor confirming that there is no payment of an unpaid operational debt by the corporate debtor. Since, Diamond International Ltd. was not having any office or bank account in India, it cannot furnish certificate from financial institution. So, Petition under Section 9 of the Code is not permissible.

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) Referring to the obligations of banking companies under the Prevention of Money Laundering Act, 2002, specify the period upto which a bank has to maintain records relating to the current account of a charitable organization. [6]

Answer:

(1) Every banking company, financial institution and intermediary shall—

(a) maintain a record of all transactions, the nature and value of which may be prescribed, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month;

(b) furnish information of transactions referred to in clause (a) to the Director within such time as may be prescribed;

(c) verify and maintain the records of the identity of all its clients, in such manner as may be prescribed:

Provided that where the principal officer of a banking company or financial institution or intermediary, as the case may be, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

(2) (a) The records referred to in clause (a) of sub-section (1) shall be maintained for a period of ten years from the date of transactions between the clients and the banking company or financial institution or intermediary, as the case may be.

(b) The records referred to in clause (c) of sub-section (1) shall be maintained for a period of ten years from the date of cessation of transactions between the clients and the banking company or financial institution or intermediary, as the case may be.

(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.

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)

Answer:

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 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.

Answer:

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)

Answer:

The Prevention of Money laundering Act, 2002 and the Rules made there under require ever 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 or 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) Government to Business (G2B) initiatives.

Answer:

G2B initiatives encompass all activities of government which impinge upon business organizations. These include registrations under different statutes, licenses under different laws and exchange of information between government and business. The objective of bringing these activities under e-Governance is to provide a congenial legal environment to business, expedite various processes and provide relevant information to business. Some of the important initiatives are furnished below:

(a) e-Procurement Project in Andhra Pradesh - It is an initiative for procurement of material through e-tender process by avoiding human interface i.e., supplier and buyer interaction during the pre-bidding and post-bidding stages.

(b) e-Procurement in Gujarat - It is an initiative to establish transparency in procurement process, shortening of procurement cycle, availing of competitive price, enhancing confidence of suppliers and establishing flexible and economical bidding process for suppliers.

(c) MCA 21 - This project aims at providing easy and secure online access to all registry related services provided by the Union Ministry of Corporate Affairs (MCA) to corporates and other stakeholders at any time and in a manner that best suits them.

MCA made it mandatory for some companies having fulfilled the stipulated criteria to file their Balance Sheet and Profit and Loss account statements in XBRL (Extensible Business Reporting Language). With the development of taxonomies for Banks, Insurance, Non-Banking Finance Companies and Power sector, the companies operating in these sectors would also be filing their financial reports in XBRL. The details as to XBRL are discussed elsewhere in this Chapter.

(v) Information Utilities under, Insolvency and Bankruptcy Code, 2016

Answer:

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.