

## NATIONAL FINANCIAL REPORTING AUTHORITY RULES, 2018

Ministry of Corporate Affairs has introduced the National Financial Reporting Authority Rules, 2018 (NFRA Rules) vide its notification dated November 13, 2018 which inter-alia defines the applicability of the said rules, functions and duties of the Authority, investigation powers, disciplinary proceedings, etc. The effective date, applicability and compliances with respect to the NFRA Rules have been briefed below:

### EFFECTIVE DATE

They shall come into force on the date of their publication in the Official Gazette i.e. November 13, 2018.

### APPLICABILITY

The Authority shall have power to monitor and enforce compliance with accounting standards and auditing standards, oversee the quality of service under sub-section (2) of section 132 of the Companies Act, 2013 or undertake investigation under sub-section (4) of such section of the auditors of the following class of companies and bodies corporate, namely:

- **Listed Company**

Companies whose securities are listed on any stock exchange in India or outside India;

- **Unlisted Public Company**

Unlisted public companies having the following as on 31st March of immediately preceding financial year –

- Paid-up capital  $\geq$  Rs. 500 crores; or
- Annual turnover  $\geq$  Rs. 1000 crores or
- Outstanding loans + debentures + deposits  $\geq$  Rs. 500 crores.

- **Other Companies**

Insurance companies, banking companies, companies engaged in the generation or supply of electricity, companies governed by any special Act for the time being in force or bodies corporate incorporated by an Act in accordance with clauses (b), (c), (d), (e) and (f) of sub-section (4) of section 1 of the Companies Act, 2013;

- **Public interest**

Any body corporate or company or person, or any class of bodies corporate or companies or persons, on a reference made to the Authority by the Central Government in public interest; and

- **Subsidiary/ Associate Company**

A body corporate incorporated or registered outside India, which is a subsidiary or associate company of any company or body corporate incorporated or registered in India as referred above, if the income or net worth of such subsidiary or associate company exceeds 20% of the consolidated income or consolidated net worth of such company or the body corporate, as the case may be, referred to in the above mentioned points.

Note: A company or body corporate other than a company governed under the NFRA Rules, shall continue to be governed by the Authority for a period of three years after it ceases to be listed or its paid-up capital or turnover or aggregate of loans, debentures and deposits falls below the limit stated therein.

### **FORM NFRA 1**

- Every existing body corporate other than a company governed by these rules, shall inform the Authority within 30 days of the commencement of the NFRA Rules, in Form NFRA-1, the particulars of the auditor as on the date of commencement of these rules.

- Every body corporate, other than a company as defined in clause (20) of section 2 of the Companies Act, 2013, formed in India and governed under this rule shall, within 15 days of appointment of an auditor under sub-section (1) of section 139 of the Companies Act, 2013, inform the Authority in Form NFRA-1, the particulars of the auditor appointed by such body corporate.
- A body corporate falling under the last category of applicability (as mentioned above) shall provide the details of appointment of its auditor in Form NFRA-1.

### **ANNUAL RETURN**

Every auditor, in respect of whom the Form NFRA-1 has been filed or was supposed to be filed, shall file a return with the Authority on or before 30th April every year in such form as may be specified by the Central Government.

*DISCLAIMER: The information given in this document has been made on the basis of the National Finance Reporting Authority Rules, 2018, issued by Ministry of Corporate Affairs. The details are based on the analysis and interpretation of the stated rules as on date. The information in this document is for general informational purposes only and is not a legal advice or a legal opinion. You should seek the advice of legal counsel of your choice before acting upon any of the information in this document. Under no circumstances whatsoever, we are not responsible for any loss, claim, liability, damage(s) resulting from the use, omission or inability to use the information provided in the document.*

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