

COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) AMENDMENTS RULES, 2019

Ministry of Corporate Affairs has amended the Companies (Acceptance of deposit) Rules, 2014 vide its notification dated January 22, 2019, which inter-alia effective date and compliances with respect to these amended rules have been briefed below:

EFFECTIVE DATE

They shall come into force on the date of their publication in the Official gazette i.e January 22, 2019

AMENDMENTS VIDE NOTIFICATION DATED SEPTEMBER 10, 2018

Ministry of Corporate Affairs has taken one step forward towards enhanced Corporate Governance vide its notification dated September 10th, 2018 by mandating that all unlisted public companies shall get their Securities into dematerialized. This has been initiated to keep the records of the company's Securities electronically and more feasibility. Below are few attention seeker points from the notification which are highlighted below:

OBLIGATIONS OF ALL THE UNLISTED PUBLIC COMPANY

- Going forward the company shall issue all the Securities in demat form only;
- It shall provide its existing shareholders for dematerialization of Securities;
- The Company shall ensure that the Securities of all directors, promoters and KMPs have been dematerialized before making any issue or buy back of securities or issue of bonus Securities or right Securities;

CONDITIONS FOR TRANSFER/ SUBSCRIPTION OF SECURITIES OF ALL UNLISTED PUBLIC COMPANY ON OR AFTER OCTOBER 02, 2018

- If any security holder proposes to make any transfer on or after October 2nd, 2018 then it is their responsibility to get the securities in dematerialized mode before making such transfer.
- If a security holder subscribes for any securities of the Company on or after October 2nd, 2018, then he/she shall make sure that all existing securities are in dematerialized form. This provisions makes dematerialization of Securities as a pre-condition for applying for the Company to get the offer subscribed.

Further Ministry of Corporate Affairs vide Notification date January 22, 2019 has amended the Companies (Prospectus and Allotment of Securities) Rules, 2014

(i) In rule 9A, after the sub-rule (10), the following sub rule is inserted

Sub rule (11): This rule shall not apply to an unlisted public company which is:-

- (a) a Nidhi Company;
- (b) a Government company or
- (c) a wholly owned subsidiary.

It means that the aforesaid companies are exempted to follow the complete rule 9A of Companies (Prospectus and Allotment of Securities) Rules, 2014.

Link of the Notification http://mca.gov.in/Ministry/pdf/CompaniesProspectusAllotmentRule_23012019.pdf

Suggestions may be send to rupesh@cacsindia.com

**Dr. S. Chandrasekaran | Senior Partner | Chandrasekaran Associates | Company Secretaries
11-F, Pocket Four | Mayur Vihar Phase One | Delhi - 110 091 | Tel. +91-11-2271 0514
sankara@cacsindia.com | info@cacsindia.com | www.cacsindia.com**

DISCLAIMER

CACS Bulletin is not intended as a source of advertising or solicitation and the contents of the same should not be construed as professional / legal advice. Readers should take specific advice from a qualified professional when dealing with specific situations and should not consider this as an invitation for a professional-client relationship. Without the prior permission of Chandrasekaran Associates, Company Secretaries, the CACS Bulletin or content thereof or reference to it should not be made in any documentation or correspondences. We make no warranty of any kind with respect to the subject matter included herein or the completeness or accuracy of this issue of CACS Bulletin. While CACS has taken every care in the preparation of this Bulletin to ensure its accuracy, however, the Companies are requested to check the latest position with the original sources before acting. The firm and the partners are not responsible for any actions (or lack thereof) taken as a result of relying on or in any way using information contained in this issue of CACS Bulletin and in no event shall be liable for any damage or loss resulting from reliance on or use of this information. Without limiting the above the firm and the partners shall each have no responsibility for any act, error or omission, whether such acts, errors or omissions result from negligence, accident or any other cause.