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Some important changes happened in the Corporate and Legal world in the month of June, 2020:

1. Amendments in the Companies (Share Capital and Debentures) Rules, 2014.

- Ministry of Corporate Affairs vide notification dated 05.06.2020 amended the Companies (Share Capital and Debentures) Rules, 2014. These rules may be called the Companies (Share Capital and Debentures) Amendment Rules, 2020. They shall come into force on the date of their publication in Official Gazette.
- Second proviso of Rule 8(4) states that Startup Company may issue Sweat Equity shares not exceeding Fifty percent of its paid up capital upto Five years from the date of incorporation or registration.
- In the above said rule for the words “five years” the words, “ten years” shall be substituted.
- In Rule 18(7)(b)(v), the following shall be substituted

In case of public issue of Debentures for NBFC's and for Housing Finance Companies or for other Unlisted Companies, the company shall on or before the 30th day of April in each year, in respect of debentures issued by such a company, invest or deposit, as the case may be, a sum which shall not be less than fifteen percent., of the amount of debentures maturing during the year ending on the 31st day of March of the next year, in any one or more methods of investments or deposits as provided in sub- clause (vi).

Provided that the amount remaining invested or deposited, as the case may be, shall not any time fall below fifteen percent of the amount of the debentures maturing during the year ending on 31st day of March of that year”.

Impact: The start-up company can issue sweat equity shares only upto 50 percent of its paid up capital for first 10 years.



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A Debenture Redemption Reserve shall be created for a sum not less than 15 percent of the amount of debentures maturing during the year ending on 31st day of March of the next year.

2. Amendments in the Companies (Meeting of Board and its Powers) Rules, 2014

- Ministry of Corporate Affairs vide notification dated 23.06.2020 amended the Companies (Meeting of Board and its Powers) Rules, 2014. These rules may be called the Companies (Meeting of Board and its Powers) Second Amendment Rules, 2020. They shall come into force on the date of their publication in Official Gazette.
- Rule 4(2) which deals with Matters not to be dealt in a meeting through Video Conferencing but which are now allowed due to COVID-19 pandemic. The last date for holding Board Meeting was 30th June, 2020.
- For the words “30th June, 2020” the words “30th September, 2020” shall be substituted.

Impact: The amendment has provided an extension of further 3 months for conducting meeting and transacting the business through video conferencing or other audio visual means till 30th September, 2020.

3. Amendments in the Companies (Appointment and Qualification of Directors) Rules, 2014.

- Ministry of Corporate Affairs vide notification dated 23.06.2020 amended the Companies (Appointment and Qualification of Directors) Rules, 2014. These rules may be called the Companies (Appointment and Qualification of Directors) Third Amendment Rules, 2020. They shall come into force on the date of their publication in Official Gazette.
- Rule 6(1)(a) states that every individual who has been appointed as an Independent Director in a company, on the date of commencement of the



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Companies (Appointment and Qualification of Directors) Amendment Rules, 2019 shall apply online for inclusion of name in the data bank.

- The time within which the individual shall apply was “five months” which was amended to “seven months” as per the notification dated 29th April, 2020 which has further been amended as follows:

Rule 6, in sub-rule (1), in clause (a), for the words “seven months” the words “ten months” shall be substituted.

Impact: The time for inclusion of name of independent director in the data bank has been further increased by 3 months i.e. from a period of “seven months” to “ten months”.

4. Amendment in the Companies (Removal of Names of Companies from Register of Companies) Rules, 2016.

- Ministry Of Corporate Affairs vide its notification dated 29.06.2020 has amended Companies (Removal of Names of Companies from Register of Companies) Rules, 2016. These rules may be called the Companies (Removal of Names of Companies from Register of Companies) Amendment Rules, 2020. They shall come into force on the date of their publication in Official Gazette
- Rule 4(3) deals with application for removal of name of Company
- Rule 4(3)(i) states that an Indemnity bond shall be duly notarized by every director in form STK-3 and following provision has been inserted:

"Provided that in case of a -

(a) Government company in which the entire paid up share capital is held by the Central Government, or by any State Government or Governments or by the Central Government and one or more State Governments; or

(b) Subsidiary of a Government company, referred to in clause (a), in which the entire paid up share capital is held by that Government Company,



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a duly notarized indemnity bond in Form STK-3A shall be given by an authorized representative, not below the rank of Under Secretary or its equivalent, in the administrative Ministry or Department of the Government of India or the State Government, as the case may be, on behalf of the company;"

- Rule 4(3)(iv) states that a copy of the special resolution duly certified by each of the directors of the company or consent of 75 percent of the members of the company in terms of paid up share capital as on the date of application.
- In said rule following shall be inserted at the end:

The words "or by an authorised representative of administrative Ministry /Department in Form No. STK - 3A" shall be inserted.

Impact: New provision has been inserted to clarify the documents required and the authorities from which they can be taken.

5. Clarification on passing of ordinary and special resolutions by companies under the Act on account of threat posed by Covid-19 - Extension of Time Limit.

- Ministry of Corporate Affairs had issued Two General Circular No. 14/2020 and 17/2020 dated 08.04.2020 and 13.04.2020 dealing with clarification on passing of ordinary and special resolutions by companies by holding EGM through VC and OAVM or passing certain items only through postal ballot without convening General Meeting till 30.06.2020 due to Covid-19 pandemic.
- MCA through its General Circular Number. 22/2020 dated 15.06.2020 has further extended the time under the said framework from 30.06.2020 to 30.09.2020 and all the other requirements remain unchanged.

Impact: The circular provides further relaxations to companies for passing resolution of urgent nature where member's approval is required through the said framework.



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6. Scheme for relaxations of time for filing forms related to creation or modification of charges under the Companies Act, 2013.

- MCA vide General Circular No. 23/2020 dated 17.06.2020, Central Government has introduced a Scheme namely “ Scheme for relaxation of time for filing forms related to creation or modification of charges under the Companies Act, 2013”.
- This Scheme shall come into effect from date of issue of this circular i.e. 17.06.2020.
- As per section 77 of Companies Act, 2013 companies are required to file form CHG-1 and Form CHG-9 within a total period of 120 days from date of creation or modification of charge. If the company fails to file charge within 30 days of creation or modification then a charge holder can file the same as per section 78 of Companies Act, 2013.
- This scheme is applicable in respect to Form GHG-1 and Form CHG-9 filed by company or the charge holder only under following namely:
 - (a) Date of creation /modification of charge is before 01.03.2020 but the timeline for filing such form has not expired under section 77 of the Act or
 - (b) When date of creation /modification of charge falls between 01.03.2020 to 30.09.2020 (both date inclusive).
- The said scheme shall not apply in following cases namely:
 - (a) Forms CHG-1 and CHG- 9 already filed before issue of the circular.
 - (b) Timeline for filing forms has already been expired prior to 01.03.2020.
 - (c) Timeline for filing forms expires at a future date despite of the time provided in the scheme.
 - (d) Form CHG-4 for Satisfaction of Charge.
- For reference, we are herewith attaching the circular.

Impact: This scheme provides relaxations to the companies in order to comply with the timelines for filing charge related forms in this COVID-19 pandemic situation.



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7. Clarification with regards to creation of deposit repayment reserves u/s 73(2)(c) of Companies Act, 2013 and to invest or deposit amount of debentures u/r 18 of companies (Share Capital and Debentures) Rules, 2014 - Extension of time.

- MCA had issued General Circular 11/2020 dated 24.03.2020 stated the requirement under section 73(2)(c) of Companies Act 2013 to create the deposit repayment reserve of 20% of deposits maturing during the financial year 2020-21 before 30.04.2020 shall be allowed to be complied with till 30.06.2020.
- It had also stated the requirement under rule 18 of the Companies (Share Capital & Debentures) Rules, 2014 to invest or deposit at least 15% of amount of debentures maturing in specified methods of investments or deposits before 30.04.2020 may be complied with till 30.06.2020.
- MCA vide its General Circular No. 24/2020 dated 19.06.2020 seeks extension of time for compliance of the subject requirements on account of Covid-19 and it has decided to further extend the time from 30.06.2020 to 30.09.2020 while all other requirements remains unchanged.

Impact: The circular has further extended the time for compliance with the requirements on account of Covid -19 pandemic.

8. Proactive Actions taken by Ministry of Corporate Affairs (MCA) during COVID-19 Pandemic

MCA has during this time of COVID-19 Pandemic taken various steps and initiatives for ease of doing Business

MCA has made various representations to the Government for various relaxations needed

MCA has also introduced new schemes like Company Fresh Start Scheme, 2020 and LLP Settlement Scheme, 2020 as a one time opportunity to defaulting companies to be compliant again.



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MCA has provided extension for filing forms and reserving name of companies during this pandemic.

MCA has allowed Meetings of Board and General Meetings to be held through Video Conferencing, which is a big proactive change which has taken place

Impact: These proactive decisions taken by Ministry of Corporate Affairs have helped businesses to sustain and be compliant thereby aiding the stakeholders in various ways.

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