



COMPANY LAW ALERT - Volume XX

# N. A. SHAH BULLETIN

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 N. A. SHAH ASSOCIATES  
Chartered Accountants

The Ministry of Corporate Affairs (MCA) has issued the Companies (Acceptance of Deposits) Amendment Rules, 2016 vide notification dated 29<sup>th</sup> June, 2016. The amendments are summarized below.

- **Amounts received not considered as deposits**
- **Changes in existing exemptions**
  - a. Secured bonds or debentures compulsorily convertible into shares of the company within ten years (before the amendment, it was within five year) will not be treated as deposit.
  - b. Any non-interest bearing amount received **and** held in trust is not treated as deposits. Before amendment, it was 'or' which is replaced with word 'and' to clarify that any non-interest bearing amount held in trust is exempt from definition of 'deposits'.
  - c. Public Company is now allowed to accept or renew any deposit from its members up to 35% (earlier it was 25%) of the aggregate of the paid-up share capital, free reserves and securities premium account.

■ **New exemptions**

- a. Any amount raised by issue of non-convertible debenture not constituting a charge on the assets of the company and listed on a recognized stock exchange as per applicable regulations made by Securities and Exchange Board of India.
- b. Advance amount received in the course of, or for the purpose of, business of the company:
  - i. towards consideration for providing future services in the form of a warranty or maintenance contract for a tenure not exceeding the period prevalent as per common business practice or five years from the date of acceptance of such service whichever is less.
  - ii. as allowed by any sectorial regulator or in accordance with directions of Central or State Government.
  - iii. for subscription towards publication, whether in print or in electronic mode to be adjusted against receipt of such publications.
- c. Any amount received by way of subscription in respect of a chit under the Chit Fund Act, 1982.
- d. Any amount received by the company under any collective investment scheme in compliance with regulations framed by the Securities and Exchange Board of India.
- e. An amount of Rs 25 lakhs or more received by a start-up company, by way of a convertible note (convertible into equity shares or repayable within a period not exceeding five years from the date of issue) in a single tranche, from a person. Definitions of 'Start-up Company' and 'Convertible note' have also been prescribed.
- f. Any amount received by a company from Alternate Investment Funds, Domestic Venture Capital Funds and Mutual Funds registered with the SEBI.

■ **Other Amendments**

- a. Notes to financial statements of the company to include disclosure of amount received from directors of the company (public / private) and relatives of directors in case of private company.
- b. Circulation of advertisement in english newspaper having country wide circulation apart from vernacular newspaper. Earlier there was no such condition of country wide circulation. This advertisement also needs to be placed on the website of the company, if any.
- c. Credit rating agencies were earlier specified in the Rules. As per the amendment, to obtain credit ratings from approved credit rating agencies as specified for Non-Banking Financial Companies in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- d. Companies are allowed to accept deposits without deposit insurance contract till 31<sup>st</sup> March 2017 (earlier allowed upto 31<sup>st</sup> March 2016) or till the availability of a deposit insurance product, whichever is earlier.

The notification is available on: [link](#)

**Disclaimer:**

This document has been prepared as a service to the clients. We recommend you to seek professional advice before taking any action on the specific issues.

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