

**ricago**  
**GRC Bulletin**  
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# About

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## About

**Clonect Solutions** is a dynamic next generation company focusing on Enterprise Governance, Risk Management and Compliance Management (GRC) solutions.

In a globalized business environment, organizations need to comply with complex and dynamic regulatory requirements as they grow and expand into different geographies and industry verticals. With the right mix of rich domain & technology expertise, and insights from both CFO & CIO worlds, Clonect helps organizations to leverage technology optimally and innovatively, addressing GRC and GST needs.



**ricago** is a dynamic platform focusing on niche products in the area of Enterprise Governance, Risk Management and Compliance Management (GRC). The suite of products Compliance Management System (CMS), Insider Trading Management System (ITMS), Contracts and Obligations Management System (COMS) enables firms to efficiently manage end-to-end compliance requirements and address the risk of non-compliance.

**ricago GST** is a comprehensive GST solution developed by Clonect Solutions, a leading software company developing niche products in the governance and compliance domains. ricago GST is Easy to use, Quick and Reliable and caters to the GST needs of businesses, professionals and large organizations.

## MCA ISSUES COMPANIES AMENDMENT ORDINANCE 2019

The Central Government has passed the Companies (Amendment) Ordinance, 2019 on January 12, 2019 to amend the Companies Act, 2013.

On November 02, 2018, the Companies (Amendment) Ordinance, 2018 was promulgated by the President, which, pursuant to this Ordinance, will cease to operate on January 21, 2019. The Government has decided to re-promulgate the ordinance for the ease of doing business and hence, on January 04, 2019, the Companies (Amendment) Ordinance, 2019 has been passed by both the Houses of Parliament and is pending in the Council of States. This Ordinance has brought many new features as mentioned below:

- The amendment has been made Section 2(41) which states that a company incorporated outside India, desirous to follow a different financial year, may file an application to the Central Government to allow any period as its financial year. Previously this Section gave the discretionary power to National Company Law Tribunal (NCLT) to allow any period as its financial year.
- In terms of Section 14(1), the power to approve the conversion of Public Company into Private Limited Company vested with the NCLT. Now, the Ordinance has amended Section 14(1) giving this power to the Central Government.
- The Ordinance has re-categorised the offences which are under the category of compoundable offences. Where a company, or an officer, or other person commits a default again within three years of the previous case, the entity will be liable to twice the penalty as provided for such default. Section 53(3), 64(2), 92(5), 102 (5), 105(3), 117(2), 121(3), 137(3) , 140(3), 157(2), 159, 165(6), 191(5), 197(15), 203(5) and 238(3) have been affected by this amendment.
- This Ordinance has modified sub-section (3) and (8) of section of 454 and also introduced a new Section 454A. The section provides that, where a penalty in relation to a default imposed on a person under the provisions of Companies Act, 2013, and the person commits the same default within a period of 3 years from the date of order imposing such penalty, passed by the adjudicating officer or Regional Director as the case may be, he shall be liable for the second and every subsequent defaults for an amount equal to twice the amount provided for such default under the relevant provision of the Companies Act, 2013.

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- The Ordinance prohibits a company from issuing shares at discount. If the company fails to comply with the rule, the company will be held liable to pay fine.
- The Ordinance also states that within 180 days of incorporation of the company, the company must confirm that every subscriber to the Memorandum of the company has paid the value of shares. In case of failure, the name of the company will be removed from Register of companies.
- The Ordinance has also increased the pecuniary limits of the Regional Director to compound offences under Section 441 of the Act. Previously the pecuniary limit was Rs. 5 lakh which now has been increased to Rs. 25 lakhs.

**Source:** [Click here for more details](#)

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## RBI REVISES THE EXTERNAL COMMERCIAL BORROWINGS POLICY TO IMPROVE THE EASE OF DOING BUSINESS

The Reserve Bank of India (RBI) on January 16, 2019 has revised the External Commercial Borrowings (ECB) Policy in order to rationalize the extant framework for ECB and Rupee Denominated Bonds in light of the experience gained to improve the ease of doing business and would further strengthen the AML/CFT framework.

The salient features of the new framework shall as under which shall come into effect immediately:

- i. **Merging of Tracks:** Merging of Tracks I and II as “Foreign Currency denominated ECB” and merging of Track III and Rupee Denominated Bonds framework as “Rupee Denominated ECB”.
- ii. **Eligible Borrowers:** This has been expanded to include all entities eligible to receive FDI. Additionally, Port Trusts, Units in SEZ, SIDBI, EXIM Bank, registered entities engaged in micro-finance activities, viz., registered not for profit companies, registered societies/trusts/cooperatives and non-government organizations can also borrow under this framework.
- iii. **Recognized Lender:** The lender should be resident of Financial Action Task Force (FATF) or International Organization of Securities Commissions (IOSCO) compliant country. Multilateral and Regional Financial Institutions, Individuals and Foreign branches / subsidiaries of Indian banks can also be lenders.
- iv. **Minimum Average Maturity Period (MAMP):** MAMP will be 3 years for all ECBs. However, for ECB raised from foreign equity holder and utilised for specific purposes, the MAMP would be 5 years. Similarly, for ECB up to USD 50 million per financial year raised by manufacturing sector, which has been given a special dispensation, the MAMP would be 1 year.
- v. **Late Submission Fee (LSF) for delay in Reporting:** Any borrower, who has been otherwise in compliance of ECB guidelines, except for delay in reporting drawdown of ECB proceeds before obtaining LRN or Form ECB 2 returns, can regularize the delay by payment of LSF as per the laid down procedure.

ECB up to USD 750 million or equivalent per financial year, which otherwise are in compliance with the parameters and other terms and conditions set

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out in the new ECB framework, will be permitted under the automatic route not requiring prior approval of the Reserve Bank. The designated AD Category I bank while considering the ECB proposal has been expected to ensure compliance with applicable ECB guidelines by their constituents. Any contravention of the applicable provisions will invite penal action or adjudication under the Foreign Exchange Management Act, 1999.

Lending and borrowing under the ECB framework by Indian banks and their branches/subsidiaries outside India will be subject to prudential guidelines issued by the Department of Banking Regulation of the Reserve Bank. Further, other entities raising ECB are required to follow the guidelines issued, if any, by the concerned sectoral or prudential regulator.

**Source:** [Click here for more details](#)

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## SEBI ISSUED CIRCULAR RELATED ON CYBER SECURITY AND CYBER RESILIENCE FRAMEWORK FOR MUTUAL FUNDS / ASSET MANAGEMENT COMPANIES (AMCS)

The Securities and Exchange Board of India has issued a circular to specify the Cyber Security & Cyber Resilience framework for Mutual Funds and Asset Management Companies (AMCs). The framework aims at protecting the interests of investors in securities and to promote the development and regulate the securities market. The guidelines will gain effect from April 1, 2019.

1. The Cyber security policy should encompass the principles prescribed by National Critical Information Infrastructure Protection Centre (NCIIPC) of National Technical Research Organization (NTRO), Government of India.
2. Mutual Funds/ AMCs should also incorporate best practices from standards such as ISO 27001, ISO 27002, COBIT 5, etc.,
3. Mutual Funds/ AMCs should designate a senior official as Chief Information Security Officer (CISO) for establishment and implementation of processes and procedures as per the cyber security and resilience policy approved by the Board of the AMCs.
4. The Board of the AMCs shall constitute a Technology Committee comprising experts proficient in technology. It should review the implementation of the cyber security and cyber resilience policy on a quarterly basis.
5. Mutual Funds/ AMCs should identify critical assets based on their sensitivity and criticality for business operations, and should maintain up-to-date inventory of its hardware and systems, software and information assets (internal and external), details of its network resources, connections to its network and data flows.
6. Mutual Funds/ AMCs should identify cyber risks it may face and threats and impact on the business.
7. Mutual Funds/ AMCs should also encourage its third-party service providers, if any, such as RTAs, Custodians, Brokers, Distributors, etc. to have similar standards of Information Security.
8. No person by virtue of rank or position should have any intrinsic right to access confidential data, applications, system resources or facilities.
9. Any access to AMC's/ Mutual Fund's systems, applications, networks, databases, etc., should be for a defined purpose and for a defined period.



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10. Mutual Funds/ AMCs should implement strong password controls for users' access to systems, applications, networks and databases.
11. Mutual Funds/ AMCs should ensure that records of user access are uniquely identified and logged for audit and review purposes. It should be stored for at least for 2 years.
12. Mutual Funds/ AMCs should deploy additional controls and security measures to supervise staff with elevated system access entitlements.
13. Account access lock policies after failure attempts should be implemented for all accounts.
14. Two-factor authentication at log-in should be implemented for all users that connect using online/ internet facility.
15. Mutual Funds/ AMCs should formulate an Internet access policy to monitor and regulate the social media sites, cloud-based internet storage sites, etc.
16. Proper 'end of life' mechanism should be adopted to deactivate access privileges of users who are leaving the organization or whose access privileges have been withdrawn.
17. Physical access to the critical systems should be restricted to minimum.
18. Physical access to the critical systems should be revoked immediately if the same is no longer required.
19. Mutual Funds/ AMCs should ensure that the perimeter of the critical equipment rooms are physically secured and monitored.
20. Mutual Funds/ AMCs should establish baseline standards to facilitate consistent application of security configurations to operating systems, databases, network devices and enterprise mobile devices within the IT environment.
21. Anti-virus software should be installed on servers and other computer systems.
22. Data-in motion and Data-at-rest should be in encrypted form by using strong encryption methods such as Advanced Encryption Standard (AES), RSA, SHA2, etc.,
23. Mutual Funds/ AMCs should implement measures to prevent unauthorized access or copying or transmission of data / information and make sure that not compromised during the process of exchanging and transferring information with external parties.
24. The information security policy should also cover use of devices such as mobile phone, faxes, photocopiers, scanners, etc.
25. Mutual Funds/ AMCs should allow only authorized data storage devices through appropriate validation processes.

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26. Only a hardened and vetted hardware / software should be deployed by the Mutual Funds/ AMCs.
27. All open ports which are not in use or can potentially be used for exploitation of data should be blocked.
28. Mutual Funds/ AMCs should ensure that regression testing is undertaken before new or modified system is implemented.
29. Mutual Funds/ AMCs should establish and ensure that the patch management procedures include the identification, categorization and prioritization of security patches.
30. Mutual Funds/ AMCs should perform rigorous testing of security patches before deployment into the production environment to ensure that it do not impact other systems.
31. Mutual Funds/ AMCs should frame suitable policy for disposals of the storage media and systems.
32. Mutual Funds/ AMCs should regularly conduct vulnerability assessment to detect security vulnerabilities in the IT environment.
33. Remedial actions should be immediately taken to address gaps that are identified during vulnerability assessment and penetration testing.
34. Mutual Funds/ AMCs should establish appropriate security monitoring systems and processes to facilitate continuous monitoring of security events and timely detection of unauthorized or malicious activities, unauthorized changes, unauthorized access and unauthorized copying or transmission of data /information held in contractual or fiduciary capacity, by internal and external parties.
35. Mutual Funds/ AMCs should implement suitable mechanism to monitor capacity utilization of its critical systems and networks.
36. Suitable alerts should be generated in the event of detection of unauthorized or abnormal system activities, transmission errors or unusual online transactions.
37. The response and recovery plan of the Mutual Funds/ AMCs should aim at timely restoration of systems affected by incidents of cyber-attacks or breaches.
38. The response plan should define responsibilities and actions to be performed by its employees and support or outsourced staff in the event of cyber-attacks or breach of cyber security mechanism.
39. Mutual Funds/AMCs should submit Quarterly reports to SEBI related to cyber-attacks and threats experienced and measures taken to mitigate vulnerabilities, threats and attacks.
40. Mutual Funds/ AMCs should conduct periodic training programs to enhance awareness level among the employees and outsourced staff,

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vendors, etc., and it should be reviewed and updated to ensure that the contents of the program remain current and relevant.

41. AMCs / Mutual Funds shall arrange to have its systems audited on an annual basis by an independent CISA / CISM qualified or CERT-IN empaneled auditor to check compliance with the above areas and shall submit the report to SEBI along with the comments of the Board of AMCs and Trustees within three months of the end of the financial year.

**#Source:** [Click here for more details](#)

# TAX LAWS



## TAX LAW - NOTIFICATIONS BY CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS

The Central Board of Indirect Taxes & Customs (CBIC) has issued few notifications proposing amendments to Central Goods and Services Tax Act and Rules on 29<sup>th</sup> January, 2019. Following are the list of such notifications wherein the amendments were proposed to be issued:

- **Notification No. 02/2019 – Central Tax**

This notification is regarding the applicability of Central Goods and Services Tax (Amendment) Act, 2018 wherein all the provisions of this act except for clause (b) of section 8, section 17, section 18, clause (a) of section 20, sub-clause (i) of clause (b) and sub-clause (i) of clause (c) of section 28 shall come into force from 1<sup>st</sup> February 2019.

[Click here to view full notification no.02/19 – Central Tax](#)

- **Notification No. 03/2019 – Central Tax**

This notification has made several insertions, modifications and omissions to Central Goods and Services Tax Rules, 2017 which shall be enforced from 1<sup>st</sup> February 2019.

Some of the major changes are:

- Composition levy for Services has been added i.e. now composition scheme shall be for both Goods & Services.
- Separate registration for multiple places of business within a State or a Union territory subject to some conditions. No different business verticals are required to take separate registration. Separate registration is attracted if there is more than one place of business.
- Rule 21A has been inserted for Suspension of registration. When cancellation of registration is applied under rule 20, the registration shall be deemed to be suspended from the date of submission of the application or the date from which the cancellation is sought, whichever is later.
- Rule 41A has been inserted for transfer of credit on obtaining separate registration for multiple places of business within a State or Union territory. The unutilized input tax credit of electronic credit ledger can be transferred to a newly registered place of business provided statement is to be furnished in form of GST ITC-02A

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electronically on the common portal within 30 days from obtaining such separate registrations.

- f) Declaration has been changed in Form GST RFD-01 and GST RFD-01A. In FORM GST APL-01, changes has also be made in Clause 15 for the tables and Clause 18 has been inserted namely- “Place of supply wise details of the integrated tax paid (admitted amount only) mentioned in the Table in sub-clause (a) of clause 15 (item (a)), if any.”
- g) In FORM GST APL-05, changes has also be made in Clause 14 for the tables and Clause 15 has been inserted namely- “Place of supply wise details of the integrated tax paid (admitted amount only) mentioned in the Table in sub-clause (a) of clause 14 (item (a)), if any.”
- h) There are several other changes made like new rules have been added for the GST practitioner relating to enrollment and indicative several activities that can be undertaken by the practitioner on behalf of the registered person are mentioned under the rule 83.
- i) There were also some modifications made in several forms. Refer the notification for further details.

[Click here to view full notification no.03/19 – Central Tax](#)

- **Notification No. 05/2019 – Central Tax,**

This notification is regarding the amendment in the amount of rate of tax to be paid by the Taxpayer under the Composition Scheme. Now, the taxpayer shall be required to pay for an amount of tax calculated at the rate specified in Rule 7 of the Central Goods and Service Tax Rules, 2017. This change shall be applicable from 1<sup>st</sup> February 2019.

[Click here to view full notification no.05/19 – Central Tax](#)

- **Notification No. 06/2019 – Central Tax**

This notification is regarding amendment of notification No. 65/2017-Central Tax dated 15.11.2017 to align Special Category States (J&K) with the explanation in section 22 of CGST Act, 2017. For the purpose of the meaning of “special categories states”, “the first proviso to sub-section (1) of section 22 of the said Act, read with clause (iii) of the Explanation to the said section” shall be referred instead of as “specified in sub-clause (g) of clause (4) of article 279A of the Constitution”.

Overall, Governments is ready and to a certain extent has given relief to GST taxpayers. GST Council has decided to extend the composition

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scheme for categories of services as well. Changes in Composition scheme policy will provide further impetus to the other sectors and there are attempts made by the council and the government to reduce and align the rate.

[Click here to view full notification no.06/19 – Central Tax](#)

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## CBIC ISSUES AMENDMENTS TO INTEGRATED GOODS AND SERVICE TAX ACT

The Central Board of Indirect Taxes and Customs (CBIC) has issued the Integrated Goods and Services Tax (Amendment) Rules, 2018 on December 31, 2018. The key points on amendments are as follows:

- In rule 3 which specifies the provisions regarding proportion of value attributable to different States or Union territories, in the case of supply of advertisement services to the Central Government, a State Government, a Statutory Body or a local authority in clause (h), after the words “in the case of advertisements over internet” the words “the service shall be deemed to have been provided all over India and” has been inserted.
- After rule 3, the following new rules has been inserted:
  - a) Rule 4: The supply of services attributable to different States or Union territories, under sub section (3) of section 12 of the Integrated Goods and Services Tax Act, 2017 in certain cases.
  - b) Rule 5: The supply of services attributable to different States or Union territories, under subsection (7) of section 12 of the said Act, in certain cases.
  - c) Rule 6: The supply of services attributable to different States or Union territories, under sub section (11) of section 12 of the said Act, in the case of supply of services relating to a leased circuit where the leased circuit is installed in more than one State or Union territory and a consolidated amount is charged for supply of such services, shall be taken as being in each of the respective States or Union territories, and in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined in certain manner.
  - d) Rule 7: The supply of services attributable to different States or Union territories, under subsection (7) of section 13 of the said Act, in the case of services supplied in respect of goods which are required to be made physically available by the recipient of services to the supplier of services, or to a person acting on behalf of the supplier of services, or in the case of services supplied to an individual, represented either as the recipient of services or a person acting on behalf of the recipient, which require the physical presence of the recipient or the



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person acting on his behalf, where the location of the supplier of services or the location of the recipient of services is outside India, and where such services are supplied in more than one State or Union territory, shall be taken as being in each of the respective States or Union territories, and the proportion of value attributable to each such State and Union territory in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined in certain manner.

- e) Rule 8: The proportion of value attributable to different States or Union territories, under subsection (7) of section 13 of the said Act, in the case of supply of services directly in relation to an immovable property, including services supplied in this regard by experts and estate agents, supply of accommodation by a hotel, inn, guest house, club or campsite, by whatever name called, grant of rights to use immovable property, services for carrying out or co-ordination of construction work, including that of architects or interior decorators, where the location of the supplier of services or the location of the recipient of services is outside India, and where such services are supplied in more than one State or Union territory, in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined by applying the provisions of rule 4, mutatis mutandis.
- f) Rule 9: The proportion of value attributable to different States or Union territories, under subsection (7) of section 13 of the said Act, in the case of supply of services by way of admission to, or organisation of a cultural, artistic, sporting, scientific, educational or entertainment event, or a celebration, conference, fair, exhibition or similar events, and of services ancillary to such admission or organisation, where the location of the supplier of services or the location of the recipient of services is outside India, and where such services are provided in more than one State or Union territory , in the absence of any contract or agreement between the supplier of service and recipient of services for separately collecting or determining the value of the services in each such State or Union territory, as the case maybe, shall be determined by applying the provisions of rule 5, mutatis mutandis”.

Source: [Click here for more details](#)



# LABOUR LAWS



## The MINISTRY OF FINANCE ISSUED NOTIFICATION REGARDING MEASURES FOR STREAMLINING THE IMPLEMENTATION OF NATIONAL PENSION SYSTEM (NPS)

The Ministry Of Finance issued a notification for streamlining the implementation of National Pension System with effect from 1st April, 2019.

According to this notification the employee should contribute 10 percent of the Basic Pay plus Dearness Allowance (DA) and the Central Government should contribute 14 percent of the Basic Pay plus Dearness Allowance (DA) to National Pension System (NPS).

### 1. Choice of Pension Fund and Investment Pattern In Tier-I of NPS are as follows.

- As per this notification the Government subscribers are allowed to choose any one of the pension funds including Private sector pension funds like Private sector subscribers. This will be available as the default option for both existing as well as new Government subscribers. They can change the option once in a year.
- Following are the investment options offered to Government employees:
  - a) The Government employees may continue as default scheme for both existing and new subscribers.
  - b) Government employees who prefer a fixed return have given option to invest 100% of the funds in Government securities (Scheme G)
  - c) Government employees who prefer higher returns have given following options
    - Conservative Life Cycle Fund with maximum exposure to equity capped at 25% - LC-25.
    - Moderate Life Cycle Fund with maximum exposure to equity capped at 50% - LC-50
- Change in the Pension Funds or investment pattern is allowed in respect of incremental flows only because Transfer of a huge legacy corpus of more than Rs. 1 lakh crore may impact the market.
- Pension Fund Regulatory and Development Authority may draw up a scheme for transfer of accumulated corpus in a reasonable time frame of say five years.

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## 2. Compensation for Non-Deposit or Delayed Deposit of Contributions during 2004-2012:

- In cases where amount was not remitted to Central Record keeping Agency (CRA) system which was deducted from the salary of Government employee as NPS contribution the amount will be credited to the NPS account along with interest for the period from the date on which the deductions were made till the date the amount was credited to the NPS account.
- In cases where NPS contributions were not deducted from the salary of the Government employee he/she has given the option to deposit the amount of employee contribution in one lump sum or in monthly installments. It may qualify for tax concessions under the Income Tax Act.
- In cases where the Government contributions were not remitted to CRA system or were remitted late the amount of contribution may be credited to the NPS account along with interest for the period from the date on which the Government contributions were due till the date the amount is actually credited as per the rates applicable to GPF from time to time. All such cases of delay may be resolved within a period of three months.

#Source: [Click here for more details](#)

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