MCA revisits Deposit Rules favorably

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Provisions relating to acceptance of deposits under Companies Act, 2013 (Act, 2013) have always been subject to the plight of reactive law-making. Restriction on issuances of OCDs, issuance of CCDs without a mandatory time period for conversion, requirement to appropriate the advance amounts within a specified period were all imposed in reaction to the Sahara, Sharda instances. This impacted funding options of business as well as growth of bond market. The definition of ‘deposits’ under Act, 2013 did not undergo any major amendments. Exclusions from the definition of ‘deposits’ under Companies (Acceptance of Deposits) Rules, 2014 (‘Deposit Rules’) varied from the exclusion from the definition of deposit as stipulated under RBI Directions for NBFCs and NHB guidelines for HFCs.

The Ministry of Corporate Affairs (‘MCA’) vide notification dated June 29, 2016 issued the Companies (Acceptance of Deposits) Amendment Rules, 2016 (‘Amendment Rules’) attempting to fill the gap in the provisions to some extent. The text of the proposed amendments to the provisions of Deposit Rules has been attached as Annexure 1. This article analyses the major amendments in terms of corresponding provisions framed by other regulators.

**Major Amendments**

**Exclusion of NCDs that are unsecured and listed from the purview of Deposits**

Unsecured NCDs/ OCDs, unless issued to another company, qualified as deposits. While the guidelines framed by RBI and NHB permitted issuances of unsecured NCDs with a maturity of more than 1 year and with the minimum subscription amount being Rs. 1 crore per investor, Non-Banking Non Financial Companies (NBNFCs) could not raise amounts by this route. Existing provisions with respect to acceptance of deposits being almost impractical mandated NBNFCs to issue secured debentures.

The Amendment Rules have partially addressed this issue by permitting issuance of unsecured NCDs and mandating listing the said NCDs. The directions/ guidelines framed by RBI/ NHB does not mandate listing of unsecured NCDs.

While SEBI (Issue and Listing of Debt Securities) Regulations, 2008 [‘ILDS’] never mandated creation of securities, the Debt Listing Agreement\(^1\) mandated maintenance of 100% asset cover except for unsecured debt instruments issued by regulated financial sector entities eligible for meeting capital requirements as specified by respective regulators.

With the enforcement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘Listing Regulations, 2015’) the Debt Listing Agreement was replaced by

\(^{1}\) Clause 5 and 16
simplified listing agreement. Regulation 54 under Chapter V of Listing Regulations reiterates the provisions as existed earlier under the Debt Listed Agreement. NBFCs/ HFCs issue subordinated debt that are unsecured NCDs and qualify for capital purpose in terms of prudential norms, with a minimum maturity period of 60 months without any option to recall by issuers within that period of 60 months. Therefore, till the Listing Regulations are amended, NBFCs cannot issue unsecured NCDs other than those forming part of regulatory capital. Similarly, NBNFCs cannot issue unsecured NCDs despite enabling provisions under Amendment Rules.

**Issuance of Compulsorily Convertible debentures (‘CCDs’)**

Deposit Rules mandated CCDs to be converted within the term of 5 years in order to fall outside the purview of deposits. Amendment Rules increase the mandatory period of conversion from 5 to 10 years thereby enabling Corporate to raise funds and defer the conversion into capital. Deposit Rules framed by RBI/ NHB do not mandate a tenure within which the conversion is to happen. Every issuance of CCDs is excluded from the definition of public deposits.

**Advance amounts received for business purpose**

The Deposit Rules provided for the end uses, advance received towards the same were excluded from the purview of deposits. Eg. advance for supply of goods or provision of services within a period of 365 days, security deposit received towards the same, advance as consideration for immoveable property adjusted in terms of agreement or arrangement and advance for supply of capital goods under long term projects.

The Amendment Rules has widened the scope for receipt of advances for business purpose and proposes to exclude the same from the definition of deposits if the advances are received towards following:

- consideration for providing future services in the form of a warranty or maintenance contract for a period as per common business practice or 5 years whichever is less;
- advance received in accordance with CG directions and as allowed by any sectoral regulator;
- subscription towards publications.

**Exclusion of amounts governed by other Acts/ Regulations**

Amounts received by Chit Funds (governed by Chit Fund Act, 1982), amounts received under any collective investment scheme [governed by SEBI (Collective Investment Schemes) Regulations, 1999], amounts received by a company from alternative investment funds, domestic venture capital funds and mutual funds (each governed by respective SEBI
regulations with respect to the manner in which the corpus of amounts can be invested) have been proposed to be excluded from the definition of deposits.

**Boost to Start Up Initiative**

To promote entrepreneurship, innovation, growth in employment and to nurture the intellectual talent in the country, Government of India has started its major initiative ‘Start Up India’ and started converging its policy focus on catalyzing the start-up culture in India. With the intent of providing flexibility to Start-ups in raising funds, Ministry has made an amendment in the definition of deposits. Through this amendment, an amount of Rs. 25 lakh or more raised by a Start-up company, by way of a convertible note which can be either convertible into equity shares or repayable within a period of five years, shall be excluded from the definition of deposits.

Such convertible notes shall be re-payable at the option of the holder of the instrument or convertible into equity shares upon occurrence of specified events or other terms and conditions agreed to and indicated in the instrument.

**Disclosure requirement in financial statement**

All companies will be required to disclose, by way of notes, the amounts received from director and private companies shall additionally disclose the amounts received from relatives of directors.

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2 "start-up company" means a private company incorporated under the Companies Act, 2013 or Companies Act, 1956 and recognised as such in accordance with notification number C.S.R. 180(E) dated 17th February, 2016 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry;

3 ‘convertible note’ means an instrument evidencing receipt of money initially as a debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of the start-up company upon occurrence of specified events and as per the other terms and conditions agreed to and indicated in the instrument.
Plugging the existing gaps

Following amendments are proposed to be made in order to plug the existing inconsistencies:

- Amount received and held in trust, provided the same are non-interest bearing;
- Increasing the limit of amount of such deposit together with the amount of other deposits outstanding as on the date of acceptance or renewal of such deposits under Rule 3 (3) from 25% to 35% (maximum of 10% from members and 25% from others);
- Inserting proviso under Rule 3 (3) with respect to the exemption extended to private company under exemption notification dated 5th June, 2015.
- Advertisement for intending to invite deposits to be given in English newspaper having country wide circulation (instead of having wide circulation in the state in which registered office situated);
- Extending the time limit for obtaining deposit insurance till 31st March, 2017 or till availability of a deposit insurance product.
- Incorporating suitable disclaimer in DPT-1 to enable the investors to take informed decisions.

Conclusion

With the necessary amendment made in the Listing Regulations, the proposed amendment enabling issuance of unsecured debentures will provide the required spurt to the Indian bond market and increased issuances by NBNFCs. Enabling provisions for acceptance of amounts by start-ups and from AIFs, domestic VC funds is a welcome move. Other amendments of corrective nature are also facilitative.
Annexure I

Definitions

(c) "deposit" includes any receipt of money by way of deposit or loan or in any other form, by a company, but does not include:

(i) any amount received from the Central Government or a State Government, or any amount received from any other source whose repayment is guaranteed by the Central Government or a State Government, or any amount received from a local authority, or any amount received from a statutory authority constituted under an Act of Parliament or a State Legislature;

(ii) any amount received from foreign Governments, foreign or international banks, multilateral financial institutions (including, but not limited to, International Finance Corporation, Asian Development Bank, Commonwealth Development Corporation and International Bank for Industrial and Financial Reconstruction), foreign Governments owned development financial institutions, foreign export credit agencies, foreign collaborators, foreign bodies corporate and foreign citizens, foreign authorities or persons resident outside India subject to the provisions of Foreign Exchange Management Act, 1999 (42 of 1999) and rules and regulations made there under;

(iii) any amount received as a loan or facility from any banking company or from the State Bank of India or any of its subsidiary banks or from a banking institution notified by the Central Government under section 51 of the Banking Regulation Act, 1949 (10 of 1949), or a corresponding new bank as defined in clause (d) of section 2 of the Banking Companies ( Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or in clause (b) of section (2) of the Banking Companies ( Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or from a co-operative bank as defined in clause (b-ii) of section 2 of the Reserve Bank of India Act, 1934 (2 of 1934);
(iv) any amount received as a loan or financial assistance from Public Financial Institutions notified by the Central Government in this behalf in consultation with the Reserve Bank of India or any regional financial institutions or Insurance Companies or Scheduled Banks as defined in the Reserve Bank of India Act, 1934 (2 of 1934);

(v) any amount received against issue of commercial paper or any other instruments issued in accordance with the guidelines or notification issued by the Reserve Bank of India;

(vi) any amount received by a company from any other company;

(vii) any amount received and held pursuant to an offer made in accordance with the provisions of the Act towards subscription to any securities, including share application money or advance towards allotment of securities pending allotment, so long as such amount is appropriated only against the amount due on allotment of the securities applied for;

Explanation.- For the purposes of this sub-clause, it is hereby clarified that -

(a) Without prejudice to any other liability or action, if the securities for which application money or advance for such securities was received cannot be allotted within sixty days from the date of receipt of the application money or advance for such securities and such application money or advance is not refunded to the subscribers within fifteen days from the date of completion of sixty days, such amount shall be treated as a deposit under these rules.

4^Provided that unless otherwise required under the Companies Act, 1955 (1 of 1956) or the Securities and Exchange Board of India Act, 1992 (15 of 1992) or rules or regulations made thereunder to allot my share, stock, bond, or debenture within a specified period, if a company had received any amount by way of subscriptions to any shares, stock, bonds or debentures before the 1st April, 2014 and disclosed it in the balance sheet for the financial year ending on or before the 31st March, 2015, against which the allotment is pending on the 31st March, 2015, the company shall, by the 1st June 2015, either return such amounts to the persons from whom these

4^Inserted by the Companies (Acceptance of Deposits) Amendment Rules, 2015, w.e.f. 31.03.2015
were received or allotted shares, stock, bonds or debentures or comply with these rules."

(b) any adjustment of the amount for any other purpose shall not be treated as refund.

(viii) any amount received from a person who, at the time of the receipt of the amount, was a director of the company:

Provided that the director from whom money is received, furnishes to the company at the time of giving the money, a declaration in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others.

5 (vii) any amount received from a person who, at the time of the receipt of the amount, was a director of the company or a relative of the director of the private company:

Provided that the director of the company or relative of the director of the private company, as the case may be, from whom money is received, furnishes to the company at the time of giving the money, a declaration in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board’s report;

(ix) any amount raised by the issue of bonds or debentures secured by a first charge or a charge ranking pari passu with the first charge on any assets referred to in Schedule III of the Act excluding intangible assets of the company or bonds or debentures compulsorily convertible into shares of the company within 6ten years five years:

Provided that if such bonds or debentures are secured by the charge of any assets referred to in Schedule III of the Act, excluding intangible assets, the amount of such bonds or debentures shall not exceed the market value of such assets as assessed by a registered valuer;

5 Substituted vide Companies (Acceptance of Deposits) Second Amendment Rules, 2015 yet to be gazetted
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7(ixa) 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

(x) any amount received from an employee of the company not exceeding his annual salary under a contract of employment with the company in the nature of non-interest bearing security deposit;

(xi) any non-interest bearing amount received and held in trust;

(xii) any amount received in the course of, or for the purposes of, the business of the company,

(a) as an advance for the supply of goods or provision of services accounted for in any manner whatsoever provided that such advance is appropriated against supply of goods or provision of services within a period of three hundred and sixty five days from the date of acceptance of such advance:

Provided that in case of any advance which is subject matter of any legal proceedings before any court of law, the said time limit of three hundred and sixty five days shall not apply:

(b) as advance, accounted for in any manner whatsoever, received in connection with consideration for property under an agreement or arrangement, provided that such advance is adjusted against the property in accordance with the terms of agreement or arrangement;

(c) as security deposit for the performance of the contract for supply of goods or provision of services;

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7 Inserted vide The Companies (Acceptance of Deposits) Amendment Rules, 2016
8 Substituted vide The Companies (Acceptance of Deposits) Amendment Rules, 2016
9 Substituted by the Companies (Acceptance of Deposits) Amendment Rules, 2015, w.e.f. 31.03.2015.
10 Substituted by the Companies (Acceptance of Deposits) Amendment Rules, 2015, w.e.f. 31.03.2015.
(d) as advance received under long term projects for supply of capital goods except those covered under item (b) above:

\[1\text{(e)}\] as an advance towards consideration for providing future services in the form of a warranty or maintenance contract as per written agreement or arrangement, if the period for providing such services does not exceed the prevalent as per common business practice or five years, from the date of acceptance whichever is less

\[1\text{(f)}\] as an advance received and as allowed by any sectoral regulator or in accordance with directions of Central Government;

\[1\text{(g)}\] as an advance for subscription towards publication, whether in print or electronic to be adjusted against receipt of such publications;

Provided that if the amount received under items (a), (b) and (d) above becomes refundable (with or without interest) due to the reasons that the company accepting the money does not have necessary permission or approval, wherever required, to deal in the goods or properties or services for which the money is taken, then the amount received shall be deemed to be a deposit under these rules:

Explanation.- For the purposes of this sub-clause the amount \[1\text{(referred to in the first proviso)}\] shall be deemed to be deposits on the expiry of fifteen days from the date they become due for refund.

(xiii) any amount brought in by the promoters of the company by way of unsecured loan in pursuance of the stipulation of any lending financial institution or a bank subject to fulfillment of the following conditions, namely:-

\[11\text{ Inserted vide the Companies (Acceptance of Deposits) Amendment Rules, 2016}
\[12\text{ Inserted vide the Companies (Acceptance of Deposits) Amendment Rules, 2016}
\[13\text{ Inserted vide the Companies (Acceptance of Deposits) Amendment Rules, 2016}
\[14\text{Substituted by the Companies (Acceptance of Deposits) Amendment Rules, 2015, w.e.f. 31.03.2015.}
\[15\text{Omitted via the Companies (Acceptance of Deposits) Amendment Rules, 2016}
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(a) the loan is brought in pursuance of the stipulation imposed by the lending institutions on the promoters to contribute such finance;

(b) the loan is provided by the promoters themselves or by their relatives or by both; and

(c) the exemption under this sub-clause shall be available only till the loans of financial institution or bank are repaid and not thereafter;

(xiv) any amount accepted by a Nidhi company in accordance with the rules made under section 406 of the Act.

Explanation.- For the purposes of this clause, any amount-

(a) received by the company, whether in the form of installments or otherwise, from a person with promise or offer to give returns, in cash or in kind, on completion of the period specified in the promise or offer, or earlier, accounted for in any manner whatsoever, or

(b) any additional contributions, over and above the amount under item (a) above, made by the company as part of such promise or offer,

shall be treated as a deposit; 16shall be considered as deposits unless specifically excluded under this clause

(xv) any amount received by way of subscription in respect of a chit under the Chit Fund Act, 1982 (40 of 1982)

(xvi) any amount received by the company under any collective investment scheme in compliance with regulations framed by the Securities and Exchange Board of India.

(xvii) an amount of twenty five lakh rupees 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

16 Substituted via the Companies (Acceptance of Deposits) Rules, 2016
17 Inserted vide The Companies (Acceptance of Deposits) Amendment Rules, 2016
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Explanation- For the purposes of this sub-clause

I. "start-up company" means a private company incorporated under the Companies Act, 2013 or Companies Act, 1956 and recognised as such in accordance with notification number C.S.R. 180(E) dated 17'h February, 2016 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry;

II. "convertible note' means an instrument evidencing receipt of money initially as a debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of the start-up company upon occurrence of specified events and as per the other terms and conditions agreed to and indicated in the instrument.

(xviii) any amount received by a company from Alternate Investment Funds, Domestic Venture Capital Funds and Mutual Funds registered with the Securities and Exchange Board of India in accordance with regulations made by it."

3. Terms and conditions of acceptance of deposits by companies.-

(1) On and from the commencement of these rules,—

(a) no company referred to in sub-section (2) of section 73 and no eligible company shall accept or renew any deposit, whether secured or unsecured, which is repayable on demand or upon receiving a notice within a period of less than six months or more than thirty-six months from the date of acceptance or renewal of such deposit:

Provided that a company may, for the purpose of meeting any of its short-term requirements of funds, accept or renew such deposits for repayment earlier than six months from the date of deposit or renewal, as the case may be, subject to the condition that-

(a) such deposits shall not exceed ten per cent. of the aggregate of the paid-up share capital and free reserves. 18paid-up share capital, free reserves and securities premium account of the company, and

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18 substituted vide The Companies (Acceptance of Deposits) Second Amendment Rules, 2015 w.e.f. 15.9.2015
(b) such deposits are repayable not earlier than three months from the date of such deposits or renewal thereof.

(2) Where depositors so desire, deposits may be accepted in joint names not exceeding three, with or without any of the clauses, namely, “Jointly”, “Either or Survivor”, “First named or Survivor”, “Anyone or Survivor”.

(3) No company referred to in sub-section (2) of section 73 shall accept or renew any deposit from its members, if the amount of such deposits together with the amount of other deposits outstanding as on the date of acceptance or renewal of such deposits exceeds twenty-five per cent.

Provided that a private company may accept from its members monies not exceeding one hundred per cent of aggregate of the paid up share capital, free reserves and securities premium account and such company shall file the details of monies so accepted to the Registrar in such manner as may be specified.

(4) No eligible company shall accept or renew-

(a) any deposit from its members, if the amount of such deposit together with the amount of deposits outstanding as on the date of acceptance or renewal of such deposits from members exceeds ten per cent. of the aggregate of the paid-up share capital and free reserves of the company;

(b) any other deposit, if the amount of such deposit together with the amount of such other deposits, other than the deposit referred to in clause (a), outstanding on the date of acceptance or renewal exceeds twenty-five per cent. of aggregate of the paid-up share capital and free reserves of the company.

(5) No Government company eligible to accept deposits under section 76 shall accept or renew any deposit, if the amount of such deposits together with the amount of other deposits outstanding as on the date of acceptance or renewal exceeds thirty five per cent. of the aggregate of its paid up share capital and free reserves of the company.

(6) No company referred to in sub-section (2) of section 73 or any eligible company shall invite or accept or renew any deposit in any form, carrying a rate of interest or pay brokerage thereon at a rate exceeding the

19 Substituted vide The Companies (Acceptance of Deposits) Amendment Rules, 2016
20 Inserted vide The Companies (Acceptance of Deposits) Amendment Rules, 2016
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maximum rate of interest or brokerage prescribed by the Reserve Bank of India for acceptance of deposits by non-banking financial companies.

Explanation:- For the purposes of this sub-rule, it is hereby clarified that the person who is authorised, in writing, by a company to solicit deposits on its behalf and through whom deposits are actually procured shall only be entitled to the brokerage and payment of brokerage to any other person for procuring deposits shall be deemed to be in violation of these rules.

(7) The company shall not reserve to itself either directly or indirectly a right to alter, to the prejudice or disadvantage of the depositor, any of the terms and conditions of the deposit, deposit trust deed and deposit insurance contract after circular or circular in the form of advertisement is issued and deposits are accepted.

(8) 21 (a)[Every eligible company shall obtain, at least once in a year, credit rating for deposits accepted by it in the manner specified herein below and a copy of the rating shall be sent to the Registrar of Companies along with the return of deposits in Form DPT-3;

(b) The credit rating referred to in clause (a) shall not be below the minimum investment grade rating or other specified credit rating for fixed deposits, from any one of the 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, issued by the Reserve Bank of India, as amended from time to time

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<tr>
<th>Name of agency</th>
<th>Minimum Investment Grade Rating</th>
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<tr>
<td>(a) The Credit Rating Information Services of India Ltd.</td>
<td>FA-(FA Minus)</td>
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<tr>
<td>(b) ICRA Ltd</td>
<td>MA-(MA Minus)</td>
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<td>(c) Credit Analysis and Research Ltd.</td>
<td>CARE BBB(FD)</td>
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<td>(d) Fitch Ratings India Private Ltd.</td>
<td>tA-(ind)(FD)</td>
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<td>(e) Brickwork Ratings India Pvt. Ltd.</td>
<td>BWRFA22</td>
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21Inserted by The Companies (Acceptance of Deposits) Amendment Rules, 2015, w.e.f. 31.03.2015.
4. Form and particulars of advertisements or circulars.-

(1) Every company referred to in sub-section (2) of section 73 intending to invite deposit from its members shall issue a circular to all its members by registered post with acknowledgement due or speed post or by electronic mode in Form DPT-1:

Provided that in addition to issue of such circular to all members in the manner specified above, the circular may be published in English language in an English newspaper and in vernacular language in a vernacular newspaper having wide circulation in the State in which the registered office of the company is situated.

(2) Every eligible company intending to invite deposits shall issue a circular in the form of an advertisement in Form DPT-1 for the purpose in English language in an English newspaper and in vernacular language in one vernacular newspaper having wide circulation in the State in which the registered office of the company is situated.

(2) Every eligible company intending to invite deposits shall issue a circular in the form of an advertisement in Form DPT-1 for the purpose in English language in an English newspaper having country wide circulation and in vernacular language in a vernacular newspaper having wide circulation in the State in which the registered office of the company is situated, and shall also place such circular on the website of the company, if any.

(3) Every company inviting deposits from the public shall upload a copy of the circular on its website, if any.

(4) No company shall issue or allow any other person to issue or cause to be issued on its behalf, any circular or a circular in the form of advertisement inviting deposits, unless such circular or circular in the form of advertisement is issued on the authority and in the name of the Board of directors of the company.

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23 Substituted vide The Companies (Acceptance of Deposits) Second Amendment Rules, 2015, yet to be gazetted
(5) No circular or a circular in the form of advertisement shall be issued by or on behalf of a company unless, not less than thirty days before the date of such issue, there has been delivered to the Registrar for registration a copy thereof signed by a majority of the directors of the company as constituted at the time the Board approved the circular or circular in the form of advertisement, or their agents, duly authorised by them in writing.

(6) A circular or circular in the form of advertisement issued shall be valid until the expiry of six months from the date of closure of the financial year in which it is issued or until the date on which the financial statement is laid before the company in annual general meeting or, where the annual general meeting for any year has not been held, the latest day on which that meeting should have been held in accordance with the provisions of the Act, whichever is earlier, and a fresh circular or circular in the form of advertisement shall be issued, in each succeeding financial year, for inviting deposits during that financial year.

**Explanation:** For the purpose of this rule, the date of the issue of the newspaper in which the advertisement appears shall be taken as the date of issue of the advertisement and the effective date of issue of circular shall be the date of dispatch of the circular.

5. **Manner and extent of deposit insurance.**

(1) Every company referred to in sub-section (2) of section 73 and every other eligible company inviting deposits shall enter into a contract for providing deposit insurance at least thirty days before the issue of circular or advertisement or at least thirty days before the date of renewal, as the case may be.

| Provided that the companies may accept the deposits without deposit insurance contract till the 31st March, 2015. | Substituted by the Companies (Acceptance of Deposits) Amendment Rules, 2015, w.e.f. 31.03.2015. |
| Provided that the companies may accept deposits without deposit insurance contract till the 31st March, 2016. | Substituted vide The Companies (Acceptance of Deposits) Amendment Rules, 2016 |
| Provided that the companies may accept deposits without deposit insurance contract till the 31st March, 2017 or till the availability of a deposit insurance product, whichever is earlier. | |

**Explanation:** For the purposes of this sub-rule, the amount as specified in the deposit insurance contract shall be deemed to be the amount in respect of both principal amount and interest due thereon.

(2) The deposit insurance contract shall specifically provide that in case the company defaults in repayment of principal amount and interest thereon, the depositor shall be entitled to the repayment of principal amount.
of deposits and the interest thereon by the insurer up to the aggregate monetary ceiling as specified in the contract:

Provided that in the case of any deposit and interest not exceeding twenty thousand rupees, the deposit insurance contract shall provide for payment of the full amount of the deposit and interest and in the case of any deposit and the interest thereon in excess of twenty thousand rupees, the deposit insurance contract shall provide for payment of an amount not less than twenty thousand rupees for each depositor.

(3) The amount of insurance premium paid on the insurance of such deposits shall be borne by the company itself and shall not be recovered from the depositors by deducting the same from the principal amount or interest payable thereon.

(4) If any default is made by the company in complying with the terms and conditions of the deposit insurance contract which makes the insurance cover ineffective, the company shall either rectify the default immediately or enter into a fresh contract within thirty days and in case of non-compliance, the amount of deposits covered under the deposit insurance contract and interest payable thereon shall be repaid within the next fifteen days and if such a company does not repay the amount of deposits within said fifteen days it shall pay fifteen per cent. interest per annum for the period of delay and shall be treated as having defaulted and shall be liable to be punished in accordance with the provisions of the Act.

2816A. Disclosures in the financial statement. - (1) Every company, other than a private company, shall disclose in its financial statement, by way of notes, about the money received from the director.

(2) Every private company shall disclose in its financial statement, by way of notes, about the money received from the directors, or relatives of directors.

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