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## **Newsletter for November, 2014** **By Amita Desai & Co.**



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## **MCA UPDATES**

### **A. Company Law Board (Fees on Applications and Petitions) Amendment Rules, 2014**

- MCA vide Draft Notification dated November 3, 2014, issued Rules to amend Company Law Board (Fees on Applications and Petitions) Rules, 1991. The key highlights of the said Notification are as follows:
- In the Company Law Board (Fees on Applications and Petitions) Rules, 1991, in the Schedule, after serial number 33 the following shall be inserted, namely:-

“34	2(41) of the Companies Act, 2013	Allowing any period other than April to March as financial year.	5000
35	58 and 59 of the Companies Act, 2013	Rectification of Register of Members.	500
36	73(4) of Companies Act, 2013 read with section 76	Directing the Company to pay the sum due or for any loss or damage incurred as a result of such non-payment.	100
37	74(2) of the Companies Act, 2013	Allow further time as considered reasonable to the company to repay the deposit.	5000.”

- The link of the Notification is as follows:  
[http://mca.gov.in/Ministry/pdf/Amendment\\_Rules\\_03112014\\_3.pdf](http://mca.gov.in/Ministry/pdf/Amendment_Rules_03112014_3.pdf)

## **B. Clarification on matters relating to the Companies (Cost Records and Audit) Rules, 2014**

- MCA vide Circular No. 42 dated November 12, 2014 issued a Circular providing clarification on matters relating to the Companies (Cost Records and Audit) Rules, 2014.
- Clarifications were sought regarding maintenance of cost records and filing of notice of appointment of the Cost Auditor in Form CRA-2 in electronic mode.
- Taking into consideration the non-availability of Form CRA-2 on MCA website, **The Ministry of Corporate Affairs extended the date of filing of Form CRA-2 without any penalty /late fee up to 31<sup>st</sup> January, 2015.**
- MCA further clarified that the Companies that have filed Form 23C for appointment of Cost Auditor for the financial year 2014-15 need not file form CRA-2 afresh for the financial year 2014-15.
- The link of the Notification is as follows:  
[http://mca.gov.in/Ministry/pdf/General\\_Circular\\_42-2014.pdf](http://mca.gov.in/Ministry/pdf/General_Circular_42-2014.pdf)

## **C. Clarification regarding Issue of Foreign Currency Convertible Bonds (FCCBs) and Foreign Currency Bonds(FCBs)**

- MCA vide Circular No. 43 dated November 13, 2014 issued a circular providing clarification regarding applicability of provisions of Chapter III of the Companies Act, 2013 on the issue of FCCBs and FCBs by Indian Companies to persons residing outside India.
- The Stakeholders sought clarification on applicability of provisions of Chapter III of the Companies Act, 2013(Act) to the issue of Foreign Currency Convertible Bonds(FCCBs) and Foreign Currency Bonds(FCBs) by Indian Companies exclusively to persons resident outside India in per the applicable sectoral regulatory provisions.
- Ministry of Corporate Affairs (MCA) in consultation with the Ministry of Finance and SEBI clarified that unless otherwise provided in the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) Scheme, 1993 or the directions/regulations issued by Reserve Bank of India, provisions of Chapter III of the Act shall not apply to an issue of a FCCB or FCB made exclusively to persons resident outside India.
- The link of the Circular is as follows:  
[http://mca.gov.in/Ministry/pdf/General\\_Circular\\_43-2014.pdf](http://mca.gov.in/Ministry/pdf/General_Circular_43-2014.pdf)

## D. Company Law Settlement Scheme, 2014 (CLSS-2014)

- MCA vide Circular No. 44 dated November 14, 2014 issued a circular to extend the Company Law Settlement Scheme (CLSS-2014).
- In Continuation to Circular No. 34/2014 dated August 12, 2014 and 40/2014 dated October 15, 2014 for Company Law Settlement Scheme, 2014, on consideration of requests received from various stakeholders to extend the Scheme up to December 31, 2014.
- **Therefore the Company Law Settlement Scheme (CLSS-2014) has been extended up to December 31, 2014.**
- The link of the Circular is as follows:  
[http://mca.gov.in/Ministry/pdf/General\\_Circular\\_44-2014.pdf](http://mca.gov.in/Ministry/pdf/General_Circular_44-2014.pdf)





## **RBI UPDATES**

### **A. Cheque Related Fraud Cases-Preventive Measures**

- RBI vide Circular No. 2 dated November 13, 2014 has provided measures to check the rise in the number of cheque related fraud cases.
- Primary (Urban) Co-operative Banks (UCBs) are advised to review and strengthen the controls in the cheque presenting/passing and account monitoring processes and to ensure that all procedural guidelines including preventive measures are followed meticulously by the dealing staff/officials. Given below are some of the preventive measures UCBs may follow in this regard. The list is only indicative.
  - i. Ensuring the use of 100% CTS - 2010 compliant cheques.
  - ii. Strengthening the infrastructure at the cheque handling Service Branches and bestowing special attention on the quality of equipment and personnel posted for CTS based clearing, so that it is not merely a mechanical process.
  - iii. Ensuring that the beneficiary is KYC compliant so that the bank has recourse to him/her as long as he/she remains a customer of the bank.
  - iv. Examination under UV lamp for all cheques beyond a threshold of say, Rs.2 lakh.
  - v. Checking at multiple levels, of cheques above a threshold of say, Rs. 5 lakh.
  - vi. Close monitoring of credits and debits in newly opened transaction accounts based on risk categorization.
  - vii. Sending an SMS alert to payer/drawer when cheques are received in clearing

The threshold limits mentioned above can be reduced or increased at a later stage with the approval of the Board depending on the volume of cheques handled by the UCBs or its risk appetite.

- In addition to the above, UCBs may consider the following preventive measures for dealing with suspicious or large value cheques (in relation to an account's normal level of operations):
  - a. Alerting the customer by a phone call and getting the confirmation from the payer/drawer.
  - b. Contacting base branch in case of non-home cheques.

The above may be resorted to selectively if not found feasible to be implemented systematically.

- The link of the Circular is as follows:  
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/SMSCT13112014.pdf>

## **B. Export of Goods/Software/Services - Period of Realization and Repatriation of Export Proceeds- For Exporters including Units in SEZs, Status Holder Exporters, EOUs, Units In EHTPs, STPs and BTPs**

- RBI vide Circular No. 37 dated November 20, 2014 has issued a circular for extending the period for realization and repatriation to India, of the amount representing the full value of exports, from 6 months to 12 months from the date of export and the amendments made therein from time to time.
- After consultation with the Government of India, it has been decided that the period of realization and repatriation of export proceeds shall be 9 months from the date of export for all exporters including Units in SEZs, Status Holder Exporters, EOUs, Units in EHTPs, STPs and BTPs until further notice.
- The provisions in regard to realization and repatriation to India of the full exports made to warehouses established outside India remain unchanged.
- The link of the Circular is as follows:  
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR37CIR201114.pdf>

## **C. Acquisition/Transfer of Immovable Property-Payment of Taxes**

- RBI vide Circular No. 38 dated November 20, 2014 has issued a circular for Foreign Exchange Management (Acquisition and Transfer of immovable property in India) Regulations 2000.
- RBI clarified that transactions involving acquisition of immovable property under these regulations shall be subject to the applicable tax laws in India.
- RBI has amended the Principal Regulations through the Foreign Exchange Management (Acquisition and transfer of immovable property in India) (Amendment) Regulations, 2014 notified vide Notification No. FEMA.321/2014-RB dated September 26, 2014.
- The link of the Circular is as follows:  
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR38CIR1114.pdf>

## **D. External Commercial Borrowings (ECB) Policy- Parking of ECB proceeds**

- RBI vide Circular No. 39 dated November 21, 2014 has issued a circular for parking of proceeds of Extra Commercial Borrowings (ECB).
- Eligible ECB borrowers are required to bring ECB proceeds, for Rupee expenditure in India for permitted end uses, such as, local sourcing of capital goods, on lending to Self Help Groups or for micro credit, payment for spectrum allocation, etc. Immediately for credit to their Rupee accounts with AD Category– I banks in India.
- For providing greater flexibility to the ECB borrowers in structuring draw down of ECB proceeds and utilization of the same for permitted end uses, it has been decided to permit AD Category – I banks to allow eligible ECB borrowers to park ECB proceeds (both under the automatic and approval routes) in term deposits with AD Category – I banks in India for a maximum period of six months pending utilization for permitted end uses. The facility will be with the following conditions:
  - i. The applicable guidelines on eligible borrower, recognized lender average maturity period, all-in-cost, permitted end uses, etc. should be complied with.
  - ii. No charge in any form should be created on such term deposits i.e. to say that the term deposits should be kept unencumbered during their currency.
  - iii. Such term deposits should be exclusively in the name of the borrower.
  - iv. Such term deposits can be liquidated as and when required.
- The link of the Circular is as follows:  
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APR39NT1114F.pdf>





## **SEBI UPDATES**

### **A. Consolidated Account Statement (CAS) for all securities assets**

- SEBI vide Circular No. 31 dated November 12, 2014 provided steps to create one record for all financial assets of every individual in accordance with the Interim Budget announcement in 2014.
- It has been decided to enable a single consolidated view of all the investments of an investor in Mutual Funds (MF) and securities held in demat form with the Depositories.
- The Depositories and the Asset Management Companies (AMCs)/ MF-RTAs shall put in place systems to facilitate generation and dispatch of single Consolidated Account Statements (CAS) for investors having MF investments and holding Demat accounts. AMCs/ RTAs shall share the requisite information with the Depositories on monthly basis to enable generation of CAS.
- Consolidation of account statement shall be done on the basis of PAN. In case of multiple holding, it shall be PAN of the first holder and pattern of holding. Based on the PANs provided by the AMCs/MF-RTAs, the Depositories shall match their PAN database to determine the common PANs and allocate the PANs among themselves for the purpose of sending CAS. For PANs which are common between depositories and AMCs, the Depositories shall send the CAS. In other cases (i.e. PANs with no demat account and only MF units holding), the AMCs/ MF-RTAs shall continue to send the CAS to their unit holders as is being done presently in compliance with the Regulation 36(4) of the SEBI (Mutual Funds) Regulations.
- In case investors have multiple accounts across the two depositories, the depository having the demat account which has been opened earlier shall be the default depository which will consolidate details across depositories and MF investments and dispatch the CAS to the investor. However, option shall be given to the demat account holder by the default depository to choose the depository through which the investor wishes to receive the CAS.

- CAS shall be generated on a monthly basis. The AMCs /MF-RTAs shall provide the data with respect to the common PANs to the depositories within three days from the month end. The depositories shall then consolidate and dispatch the CAS within ten days from the month end.
- Where statements are presently being dispatched by email either by the Mutual Funds or by the Depositories, CAS shall be sent through email. However, where an investor does not wish to receive CAS through email, option shall be given to the investor to receive the CAS in physical form at the address registered in the Depository system.
- A proper grievance redressal mechanism shall be put in place by the depositories and the AMCs/MF-RTAs which shall also be communicated to the investors through CAS. AMCs/MF-RTAs would be accountable for the authenticity of the information provided through CAS in respect of MF investments and timely sharing of such information with Depositories. The Depositories would be responsible for the timely dispatch of CAS to the investors serviced by them and the demat account information.
- The depositories and the AMCs/ MF-RTAs shall ensure data integrity and confidentiality in respect of the shared information. The depositories shall utilize the shared data only for the purpose of providing CAS and shall not share the same with their Depository Participants. Where Depositories are required to share such information with unregulated entities like third party printers, the depositories shall enter into necessary data confidentiality agreements with them.
- CAS shall be implemented from the month of March 2015 with respect to the transactions carried out during the month of February 2015.
- If an investor does not wish to receive CAS, an option shall be given to the investor to indicate negative consent. Depositories shall accordingly inform investors in their statements from the month of January 2015 about the facility of CAS and give them information on how to opt out of the facility if they do not wish to avail it.
- Where such an option is exercised, the concerned depository shall inform the AMC/MF-RTA accordingly and the data with respect to the said investor shall not be shared by the AMC/MF-RTA with the depository.
- If there is any transaction in any of the demat accounts of the investor or in any of his mutual fund folios, then CAS shall be sent to that investor on monthly basis. In case there is no transaction in any of the mutual fund folios and demat accounts then CAS with holding details shall be sent to the investor on half yearly basis. However, in case of demat accounts with nil balance and no transactions in securities and in mutual fund folios, the requirement to send physical statement shall be applicable as specified in SEBI circular no. CIR/MRD/DP/21/2014 issued on July 01, 2014.
- The holding statement dispatched by the DPs to their BOs with respect to the dormant demat accounts with balances shall also be dispatched half-yearly in partial modification of clauses 5(b) and 6(c) of the circular no. CIR/MRD/DP/22/2012 dated August 27, 2012.

- The dispatch of CAS by the depositories to BOs would constitute compliance by the Depository Participants with requirement under Regulation 43 of SEBI (Depositories and Participants) Regulations, to provide statements of account to the BOs as also compliance by the MFs with the requirement under Regulation 36(4) of SEBI (Mutual Funds) Regulations.
- The link of the Circular is as follows:  
[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1415783332661.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1415783332661.pdf)

## **B. Conditions for issuance of Offshore Derivative Instruments under SEBI (Foreign Portfolio Investor) Regulations, 2014.**

- SEBI vide Circular No. 20 dated November 24, 2014 specified conditions for issuance of Offshore Derivative Instruments under SEBI (Foreign Portfolio Investor) Regulations, 2014.
- SEBI has decided to align the applicable eligibility and investment norms between Foreign Portfolio Investor (FPI) regime and subscription through the Offshore Derivative Instruments (ODI) route.
- As Clarified by SEBI that FPI shall issue ODIs only to those subscribers which meet the eligibility criteria as laid down in Regulation 4 of the SEBI (Foreign Portfolio Investor) Regulations, 2014. Regulation 4 requires that an FPI applicant shall not be granted registration unless it satisfies inter alia the following conditions namely:
  - a) the applicant is resident of a country whose securities market regulator is a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Board;
  - b) the applicant being a bank, is a resident of a country whose central bank is a member of Bank for International Settlements;
  - c) the applicant is not resident in a country identified in the public statement of Financial Action Task Force as:
    - i. a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
    - ii. a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies;
- Regulation 21(7) of SEBI (Foreign Portfolio Investor) Regulations, 2014, lays down the investment restrictions which are applicable to FPIs. It is clarified that:

- a) These investment restrictions shall apply to ODI subscribers also. For this purpose, two or more ODI subscribers having common Beneficial Owner (BO) shall be considered together as a single ODI subscriber, in the same manner as is being done in the case of FPIs.
- b) Further, where an investor has investments as FPI and also holds positions as an ODI subscriber, these investment restrictions shall apply on the aggregate of FPI investments and ODI positions held in the underlying Indian Company. In other words, the investment as FPI and positions held as ODI subscriber will be clubbed together with reference to the said investment restrictions.
- FPIs which issue ODIs shall put in place necessary systems to ensure compliance with above provisions as mentioned in paragraph 2, 3 and 4.
- Existing ODI positions, if they are not in accordance with paragraph 2, 3 and 4, may continue till the expiry of the ODI contract. No additional issuances/renewal/rollover of such positions shall be permitted. Fresh issuance of ODIs shall be made only to the eligible subscribers subject to the compliance with paragraph 5 of this circular and with SEBI (Foreign Portfolio Investors) Regulations, 2014 and other applicable norms.
- The link of the Circular is as follows:  
[http://www.sebi.gov.in/cms/sebi\\_data/attachdocs/1416827082538.pdf](http://www.sebi.gov.in/cms/sebi_data/attachdocs/1416827082538.pdf)



# ARTICLE OF THE MONTH

## Establishment of Liaison / Branch office in India by Foreign Entities

### General Criteria – Liaison Office (LO)/ Branch Office (BO):

A body corporate incorporated outside India (including a firm or other association of individuals) desirous of opening a Liaison Office (LO) / Branch Office (BO) in India have to obtain permission from the Reserve Bank under provisions of FEMA 1999. The applications from such entities in Form FNC will be considered by Reserve Bank under two routes:

- **Reserve Bank Route** — where principal business of the foreign entity falls under sectors **where 100 per cent Foreign Direct Investment (FDI) is permissible** under the automatic route.
- **Government Route** — where principal business of the foreign entity falls under the sectors **where 100 per cent FDI is not permissible under the automatic route**. Applications from entities falling under this category and those from Non - Government Organizations / Non - Profit Organizations / Government Bodies / Departments are considered by the Reserve Bank in consultation with the Ministry of Finance, Government of India.
- Certain **ADDITIONAL CRITERIA** that is also considered by the RBI while sanctioning Liaison/Branch offices in India are as follows:
  - **Track Record:**
    - For Branch Office- a profit making track record during the **immediately preceding five financial years** in the home country.
    - For Liaison Office- a profit making track record during the **immediately preceding three financial years** in the home country.

**Net Worth** i.e. total of paid-up capital and free reserves, less intangible assets as per the latest Audited Balance Sheet or Account Statement certified by a Certified Public Accountant or any Registered Accounts Practitioner by whatever name:

- For Branch Office — **not less than USD 100,000** or its equivalent.
- For Liaison Office — **not less than USD 50,000** or its equivalent

- The Application for establishing Branch Office in India should be forwarded by the foreign entity **through a designated AD Category - I bank to the Chief General Manager-in-Charge**, Reserve Bank of India, Foreign Exchange Department, Foreign Investment Division, Central Office, Fort, Mumbai-400 001 along with the prescribed documents including:-
- English version of the **Certificate of Incorporation / Registration or Memorandum & Articles of Association attested by Indian Embassy / Notary Public** in the Country of Registration.
  - **Latest Audited Balance Sheet** of the applicant entity.
- Applicants **who do not satisfy the eligibility criteria and are subsidiaries of other companies** can submit a **Letter of Comfort** from their parent company, subject to the condition that the parent company satisfies the eligibility criteria as prescribed above. The designated AD Category - I bank will exercise due diligence in respect of the applicant's background, antecedents of the promoter, nature and location of activity, sources of funds, etc. and also ensure compliance with the KYC norms before forwarding the application together with their comments/ recommendations to the Reserve Bank. The Branch / Liaison offices established with the Reserve Bank's approval will be allotted a **Unique Identification Number (UIN)**. The BOs / LOs **shall also obtain Permanent Account Number (PAN) from the Income Tax Authorities on setting up the offices in India.**
- **LIAISON OFFICE:**

Liaison Office (also known as Representative Office) **can undertake only liaison activities**, i.e. it can act as a channel of communication between Head Office abroad and parties in India. It is **not allowed to undertake any business activity in India and cannot earn any income in India.** Expenses of such offices are to be met entirely through inward remittances of foreign exchange from the Head Office outside India. The role of such offices is, therefore, limited to collecting information about possible market opportunities and providing information about the company and its products to the prospective Indian customers. Permission to set up such offices is initially granted for a period of **3 years** and this may be extended from time to time by an AD Category I bank.

**Liaison Office can undertake the following activities in India:**

- i. Representing in India the parent company / group companies.
- ii. Promoting export / import from / to India.
- iii. Promoting technical/financial collaborations between parent/group companies and companies in India.
- iv. Acting as a communication channel between the parent company and Indian companies.

- Liaison Office of **Foreign Insurance Companies / Banks Foreign Insurance companies** can establish Liaison Offices in India only after obtaining approval from the Insurance Regulatory and Development Authority (IRDA).
- **Foreign banks** can establish Liaison Offices in India only after obtaining approval from the Department of Banking Operations and Development (DBOD), RBI
- **Extension of Validity of the Approval of Liaison Offices:**

The designated AD Category - I bank may extend the validity period of LO/s **for a period of 3 years** from the date of expiry of the original approval / extension granted by the Reserve Bank, provided the applicant has complied with the following conditions:

- The LO should have submitted the **Annual Activity Certificates** for the previous years and
- The **account of the Liaison Office maintained with the designated AD Category – I bank** is being operated in accordance with the terms and conditions stipulated in the approval.

Such extension has to be granted, as expeditiously as possible, **within a period of one month** from the receipt of the request under intimation to the Regional Office concerned of the Reserve Bank and to the Chief General Manager–in-Charge, Foreign Exchange Department, Reserve Bank of India, Central Office, Mumbai, 400 001, quoting the reference number of the original approval letter and the UIN.

➤ **BRANCH OFFICES:**

**Permissible Activities:**

Companies incorporated outside India and engaged in **manufacturing or trading activities** are allowed to set up Branch Offices in India with specific approval of the Reserve Bank in **form FNC**. Normally, the Branch Office **should be engaged in the activity in which the parent company is engaged**. Such Branch Offices are permitted to represent the parent / group companies and undertake the following activities in India:

- i. Export / Import of goods.
  - ii. Rendering professional or consultancy services.
  - iii. Carrying out research work, in areas in which the parent company is engaged.
  - iv. Promoting technical or financial collaborations between Indian companies and parent or overseas group company.
  - v. Representing the parent company in India and acting as buying / selling agent in India.
  - vi. Rendering services in information technology and development of software in India.
  - vii. Rendering technical support to the products supplied by parent/group companies.
  - viii. Foreign airline / shipping company.
- Retail trading activities of any nature is not allowed for a Branch Office in India.
- A Branch Office is not allowed to carry out manufacturing or processing activities in India, directly or indirectly.
- Profits earned by the Branch Offices are freely remittable from India, subject to payment of applicable taxes.

**Branch Office in Special Economic Zones (SEZs):** Reserve Bank has given general permission to foreign companies for establishing branch/unit in Special Economic Zones (SEZs) to undertake manufacturing and service activities. The general permission is subject to the following conditions:

- such units are functioning in those sectors where 100 per cent FDI is permitted;
- such units comply with part XI of the Companies Act, 1956 (Section 592 to 602);
- such units function on a stand-alone basis.



## **Application for Undertaking Additional Activities or Additional Branch / Liaison**

### **Offices:**

- For **Undertaking Additional Activities** than what was initially permitted by the Reserve Bank, requests for undertaking the same, justifying the need alongwith the comments of the designated AD Category - I bank, may be applied through the AD Category-I bank to the Chief General Manager-in-Charge, Reserve Bank of India, Foreign Exchange Department, Foreign Investment Division, Central Office, Mumbai.
- For **Establishing Additional Branch Offices/ Liaison Offices**, requests may be submitted through **fresh FNC form**, duly signed by the authorized signatory of the foreign entity in the home country to the Reserve Bank of India. (However, the documents mentioned in form FNC need not be resubmitted, if there are no changes to the documents already submitted earlier.)
  - If the number of Offices exceeds 4 (i.e. one BO / LO in each zone viz; East, West, North and South), the applicant has to justify the need for additional office/s.
- The applicant may identify one of its Offices in India as the Nodal Office, which will coordinate the activities of all Offices in India.

### **Reporting by Branch/Liaison Offices:**

- All entities setting up Branch Office/Liaison Office shall submit a **Report** containing the prescribed information, **within five working days** of the Branch Office/Liaison Office becoming functional **to the Director General of Police (DGP)** of the state concerned in which Branch Office/Liaison Office has established its office; if there is more than one office of such a foreign entity, in such cases to each of the DGP concerned of the state where it has established office in India.
- Branch Offices / Liaison Offices have to file **Annual Activity Certificates (AAC)** **from Chartered Accountants**, at the end of March 31, along with the audited Balance Sheet on or before September 30 of that year. In case the annual accounts of the Branch Office/Liaison Office are finalized with reference to a date other than March 31, the AAC along with the audited Balance Sheet may be submitted within six months from the due date of the Balance Sheet **to the designated AD Category I bank**, and a copy to the Directorate General of Income Tax (International Taxation), New Delhi along with the audited financial statements including receipt and payment account.

- The Annual Activity Certificates (AAC) are to be filed by the following offices as applicable:
  - In case of a sole BO/ LO by the BO/LO concerned;
  - In case of multiple BO/LO, a combined Annual Activity Certificate in respect of all Offices in India by the Nodal Office of the BO/LOs
  
- The designated AD Category - I bank will then scrutinize the Annual Activity Certificate and ensure that the activities undertaken by the Branch Office/ Liaison Office are being carried out in accordance with the terms and conditions of the approval given by the Reserve Bank. In case there are any adverse findings being reported by the Auditor or noticed by the designated AD Category- I bank, the same will be reported immediately by the designated AD Category- I bank to the respective Regional Office of the Reserve Bank in respect of Liaison Office and to the Central Office of the Reserve Bank in the case of Branch Office, along with the copy of the Annual Activity Certificate and their comments thereon.
  
- A copy of the report shall be filed with the DGP concerned on annual basis along with a copy of the Annual Activity Certificate, and also with the AD concerned.

**Other General Conditions Applicable to Branch / Liaison Offices of Foreign Entities in India:**

- (i) Without prior permission of the Reserve Bank, **No Person** being a citizen of / registered in Pakistan, Bangladesh, Sri Lanka, Afghanistan, Iran, China, Hong Kong or Macau can establish in India, a Branch or a Liaison Office or a Project Office or any other place of business.
  
- (ii) Entities from Nepal are allowed to establish only Liaison Offices in India.
  
- (iii) Branch/Project Offices of a foreign entity are **permitted to acquire immovable property by way of purchase for their own use and to carry out permitted/incidental activities.** However, entities from Pakistan, Bangladesh, Sri Lanka, Afghanistan, Iran, Bhutan or China are not allowed to acquire immovable property in India for a Branch / Project Office without prior RBI approval. All Branch / Project Offices including Liaison Offices, have general permission to carry out permitted / incidental activities from lease property subject to lease period not exceeding five years.

(iv) Branch / Liaison / Project Offices **are allowed to open non-interest bearing INR current accounts in India**. Such Offices are required to approach their Authorised Dealers for opening the accounts.

(v) Branch Offices are **permitted to remit outside India profit of the branch net of applicable Indian taxes**, on production of the following documents to the satisfaction of the Authorised Dealer through whom the remittance is effected, subject to the following:

- A Certified copy of the audited Balance Sheet and Profit and Loss account for the relevant year.
- A Chartered Accountant's certificate certifying:
  - i. the manner of arriving at the remittable profit
  - ii. that the entire remittable profit has been earned by undertaking the permitted activities
  - iii. that the profit does not include any profit on revaluation of the assets of the branch.

(vi) Authorised Dealers can allow term deposit account for a period not exceeding 6 months in favor of a branch/office of a person resident outside India provided the bank is satisfied that the term deposit is out of temporary surplus funds and the branch / office furnishes an undertaking that the maturity proceeds of the term deposit will be utilized for their business in India within 3 months of maturity. However, such facility may not be extended to shipping/airline companies.

## INSPIRATIONAL QUOTES

**PAIN IS TEMPORARY  
PRIDE IS FOREVER**

THE THEME YOU CHOOSE MAY CHANGE  
OR SIMPLY ELUDE YOU, BUT

**being your own story**

*means you can always choose the tone.*

IT ALSO MEANS THAT YOU CAN  
INVENT THE LANGUAGE TO SAY

**who you are** AND **what you mean.**

*~* **Toni Morrison**

**You have one month to finish  
the book of 2014.  
Make the last chapter  
a perfect one.**

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