

Rödl & Partner

DEMATERIALISATION OF SECURITIES

Compliance is key



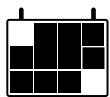
Dematerialisation of Securities



The Ministry of Corporate Affairs (“MCA”) vide notification on 27th October 2023 introduced the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 (“the Rules”). The MCA vide these Amendment Rules, has inserted a new Rule, that is, Rule 9B which provides for issue of securities in dematerialised form by Private Companies.



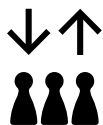
The Rules state that every Private Company, other than a small company, shall issue the securities only in dematerialised form and facilitate dematerialisation of all securities.



A Private Company which as on last day of a financial year, ending on or after 31st March 2023, is not a small company as per audited financial statements for such financial year, shall within 18 (eighteen) months of closure of such financial year, comply with the provisions of these Rules.



Every Private Company making any offer for issue of securities or buyback of securities or issue of bonus shares or rights offer, after the date when it is required to comply with the Rules, shall ensure that before making such offer, entire holding of securities has been dematerialised.



Accordingly, holding of securities (including shares, debentures etc.) of such a Private Company in existing physical share certificates are required to be dematerialised and held in such form by 30th September 2024. After this date, there could be no issue / transfer / buyback / any other corporate action through physical share certificates and the same could be undertaken via dematerialised shares only.

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