

DEMATERIALIZATION OF SHARES OF UNLISTED PUBLIC COMPANIES

- The Central Government has inserted a new Rule 9A of the Companies (Prospectus and Allotment of Securities) Rules 2014 which deals with **Issue of securities in dematerialized form by unlisted public companies.**
 - This rule shall not apply to an unlisted public company which is:-
 - A Nidhi company;
 - A Government company; or
 - A wholly owned subsidiary.
 - In our opinion if a Private Company is subsidiary of Public Company, then such private company is a deemed Public Company and hence shall have to comply with these provisions.
 - These provisions shall be applicable on both existing securities as well as to the new issue of securities.
 - Every Unlisted Public Company shall issue securities only in dematerialized form and facilitate all the existing securities to be held in dematerialized form.
 - Unlisted Public Company while making an offer for;
 - the issue of any securities; or
 - buyback of securities; or
 - issue of bonus shares; or
 - Making rights offer,
- Shall ensure that all the securities of its promoters, directors, Key Managerial Personnel are dematerialized before taking the above actions.
- Every holder of securities of an Unlisted Public Company:
 - Who intends to transfer such securities on or after 2nd October, 2018, shall get such securities dematerialised before the transfer: or
 - Who subscribes to any securities of an Unlisted Public Company, whether by way of private placement or bonus shares or rights offer on or after 2nd October, 2018 shall ensure that all his existing securities are held in dematerialized form before such subscription.
 - Every unlisted public company shall;
 - facilitate dematerialisation of all its existing securities by making necessary application to a depository; and
 - shall secure International security Identification Number (ISIN) for each type of security; and
 - Shall inform all its existing security holders about such facility.
 - Every unlisted public company shall ensure about the timely payment of fees to the depository and registrar to an issue and share transfer agent in accordance with the agreement executed between the parties;
 - Company shall not be entitled to issue securities unless ;

- It makes timely payment of fees (admission as well as annual) to the depository and registrar to an issue and share transfer agent in accordance with the agreement executed between the parties.
 - It maintains security deposit at all times, of not less than two years, fees with the depository and registrar to an issue and share transfer agent in such form as may be agreed between the parties; and
 - It complies with the regulations or directions or guidelines or circulars, if any, issued by the securities and Exchange Board or Depository from time to time with respect to dematerialisation of shares of unlisted public companies and matters incidental or related thereto.
- Unlisted Public Company shall submit an Audit report:-
- To the Registrar under whose jurisdiction the registered office of the company is situated;
 - ✓ On a half-yearly basis;
 - ✓ Audited by a qualified Chartered Accountant or a practicing Company Secretary.
 - Audit report shall contain;
 - ✓ Reconciliation of the total issued capital,
 - ✓ Capital held by depositories in dematerialized form,
 - ✓ The details of changes in share capital during the period,
 - ✓ Updated status of the register of members of the issuer and confirm that securities have been dematerialized as per requests within 21 days from the date of receipt of requests.
 - The issuer shall immediately bring to the notice of the depositories and the stock exchanges, any difference observed in its issued, listed, and the capital held by depositories in dematerialized form.
