

March 4, 2006

**Dear CEO of the Bank/ FI,**

The Ministry of Company Affairs is in the process of implementing a major e-Governance initiative known as MCA21. You represent one of the key stakeholders for the successful implementation of this ambitious programme.

2. The MCA21 system is designed to encompass a database which would be of immense value to your organisations in your further business operations. This database in particular relates to the creation/ subsistence of charges created against advances sanctioned and released by you to the corporate world.

3. A brief bulletin has been prepared containing the key features in so far as it relates to your business domain. I request you to go through this bulletin and take necessary action on your part at the earliest so as to enable us to help you. I hope you would find it useful.

Yours sincerely,

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To

All the CEOs of Banks and Financial Institutions

## **Bulletin for Banks/ FIs for operations under MCA21**

### **1. About MCA21:**

As part of the Government's commitment to governance reforms, MCA21 program has been designated as the flagship e-Governance initiative of the Government of India under the National e-Governance Plan (NeGP). This outcome-based program from the Ministry of Company Affairs (MCA) aims at fulfilling the aspirations of its stakeholders in the 21<sup>st</sup> century through adoption of a service-centric approach. The bottom-line of this unique initiative is the improved speed and certainty in the delivery of MCA services. This improvement is primarily enabled through the mechanism of secure electronic Filing (e-Filing) for all the services provided by the Registrar of Companies (ROC) including incorporation of a company, annual filing, registration of charges and other event based filings.

### **2. Roll-out programme:**

The pilot project was launched at Coimbatore on 18<sup>th</sup> Feb, 2006, followed by Pondicherry on the 27<sup>th</sup> February and Ernakulam on the 6<sup>th</sup> March, 2006. The next major milestone will be the launch at Delhi by Hon. Prime Minister of India on the 18<sup>th</sup> Mar, 2006. Various offices of the ROC and the Regional Directors (RDs) will progressively go-live before the end of April, 2006. This would mean that the e-filing will be available on an anywhere, anytime mode after the national project roll-out has been completed.

### **3. Use of Digital Signatures:**

Though e-filing requires the use of digital signature certificates as per the stipulation of law for electronic transactions, the Ministry has authorized ROC officials to digitally sign the documents (for facilitating e-filing) on behalf of the professionals/ company representatives who do not have digital signatures. However, this facility has been provided only till the 30<sup>th</sup> June, 2006 so as to give sufficient time to various stakeholders to obtain Digital Signatures by this date. Documents in physical form will not be accepted after this date. E-filing has helped significant amount of paper reduction at the back office and expected to enable quicker and predictable outcomes for service requests.

### **4. Significance of MCA21 for Banks and Financial Institutions:**

MCA21, in particular, serves the interests of the Banks and Financial Institutions through the process of "Registration of Charges". Your attention is invited to this specific process which amounts to a sizable transaction volume each year of MCA. As you may have yourself experienced first hand, the Charge Registration information is an invaluable input for credit evaluation. Ministry is

aware of the hardships experienced in this regard in obtaining accurate information in a timely manner. It is the belief of the Ministry that switching over to e-Governance mode will mitigate these difficulties. However, this change is expected to be only gradual.

#### **5. Steps already taken:**

The endeavour of this Ministry is to improve and refine the charge registration process and enhance the value that can be derived by the financial services industry. Towards this end, following measures have been implemented:

- (i) Digitization of more than 10 million pages related to all subsisting charges and established inter-linkage between the charge data within a given company (including creation of an Index of charges);
- (ii) Simplification and unification of charge related forms including adapting the same for electronic filing. These have been duly notified and have come into force from 28<sup>th</sup> Feb, 2006;
- (iii) Facility of authenticating these e-forms using digital signatures in accordance with the Information Technology Act, 2000;
- (iv) Cross-referencing of charge creation document at the time of filing a new charge document involving subsequent modification or satisfaction;
- (v) Introduction of a concise, structured yet comprehensive **Instrument of Charge** containing /evidencing basic information in place of diverse elaborate contracts.

#### **6. Steps to be taken by the Banks & FIs:**

What has been mentioned above is only a small step and there is much more effort needed to conform to some of the best known international practices. However, this exercise has to be carried out in close collaboration with the Banking & Financial Services Industry. You can catalyze and accelerate this exercise by adopting the following measures:

- i. Ensure that newly notified e-forms are used henceforth. Please visit the new MCA portal [www.mca.gov.in](http://www.mca.gov.in) to obtain copies of the new e-forms and procedures for e-filing.
- ii. Ensure that all e-forms that will henceforth be used for filing, are authenticated using a digital signature.
- iii. Ensure that the authorized officers of your Bank or institution obtain Digital Signature Certificates before 30-Jun-2006 for authenticating all relevant e-forms for the purposes of registration of a charge with the ROC. These may be issued either by IDRBT or any one of the authorized agencies.

- iv. Encourage your clients to register creation/modification/satisfaction of charges in a timely manner. In particular, encourage the charges to be satisfied as we have found a number of cases are probably closed and the same has not been done.
- v. While Ministry has taken due care to ensure completeness and accuracy of data, it is very likely that there could be errors of omission and commission in an exercise of this enormity. Please review the existing charge data and highlight any discrepancies/errors to the concerned ROC on or before 30-Jun-2006, so that the same can be corrected to ensure the reliability of data.
- vi. Proactively support the enhancement of the **Instrument of Charge** mentioned under para 5 (v) and enforce this as a standard across all charge transactions - this will facilitate us not only collation of data, but also explore the possibility for use of sophisticated data mining technology/tools (the current data is largely unstructured and unfit for analysis)
- vii. Disseminate this information widely within your enterprise and facilitate quick adoption.

Your cooperation in this matter is much appreciated.

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