

Centre overhauls beneficial ownership disclosure norms

TRANSPARENCY TWEAK. Two new forms introduced to better capture SBO and improve disclosures

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In a move that will help enhance corporate transparency and regulatory compliance, the Corporate Affairs Ministry (MCA) has overhauled the disclosure requirements on beneficial ownership and their changes.

It has, in two separate notifications, come up with two new forms detailing the information on 'Significant Beneficial Ownership' (SBO) and 'Beneficial Ownership' that need to be filed with the Registrar of Companies (RoC).

With the new forms (BEN-2 and MGT-6), companies can easily update or change the SBO details and also change the particulars of the holding reporting company. This latest MCA



CLOSER LOOK. Move to help enhance corporate regulatory compliance

move is expected to facilitate regulatory scrutiny of beneficial ownership and their changes.

CRACKDOWNS

It comes on the heels of RoCs cracking down on large corporations as well as cer-

tain global private equity firms (funds) in relation to compliance with SBO declarations.

In the just-ended June quarter, RoCs penalised at least four unlisted companies with foreign shareholding for not taking steps to

identify significant beneficial owners or for failing to report the SBO.

These include penalties on Microsoft-owned LinkedIn, Microsoft chairman Satya Nadella, Leixir Resources and its foreign directors and two Samsung units for violation of beneficial ownership disclosure norms.

MCA has, in recent quarters, enhanced its scrutiny of SBO-related declarations. Many companies that faced RoC penalties had all declared in their annual filings that they did not have any SBO.

India has been tightening its regulatory scrutiny of beneficial ownership in the latest MCA move related to unlisted companies.

Market regulator SEBI, which oversees listed companies, has tightened several rules related to benefi-

cial ownership in foreign portfolio investors (FPI) over the past year. Section 90 of the Companies Act addresses the identification of individuals who hold beneficial interest (above 10%) in a company, requiring companies to disclose SBO details. The primary intent is to identify natural persons having ultimate beneficial ownership in a company. Indirect ownership is mandatory for becoming a SBO.

Vishwas Panjiar, Partner, Nangia Andersen LLP, said, "These amendments aim to bolster governance and transparency by facilitating accurate reporting and updating of details related to beneficial owners. It aligns with the government's efforts to enhance regulatory frameworks that promote accountability and clarity in corporate ownership structures."