

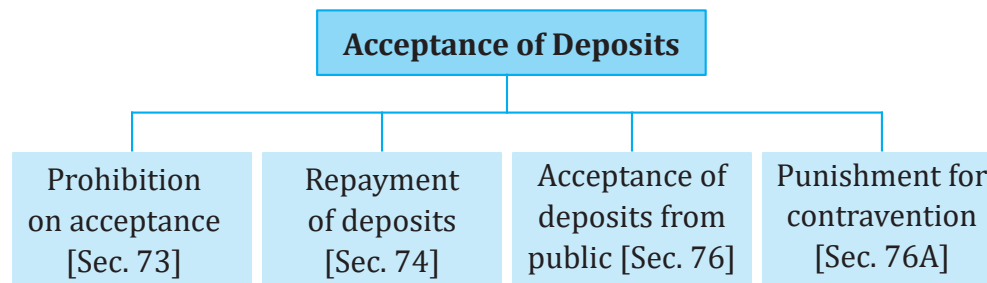
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CHAPTER

Acceptance of Deposits by Companies

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■ INTRODUCTION



Chapter V	Consists of sections 73 to 76A as well as the Companies (Acceptance of Deposits) Rules, 2014.
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- ❑ Acceptance of deposits from the members as well as public at large is an important source of finance for the corporate sector.
- ❑ It is, therefore, necessary to control the companies which invite deposits in order to safeguard the general and wider interest of all those persons who offer deposits out of their precious savings.

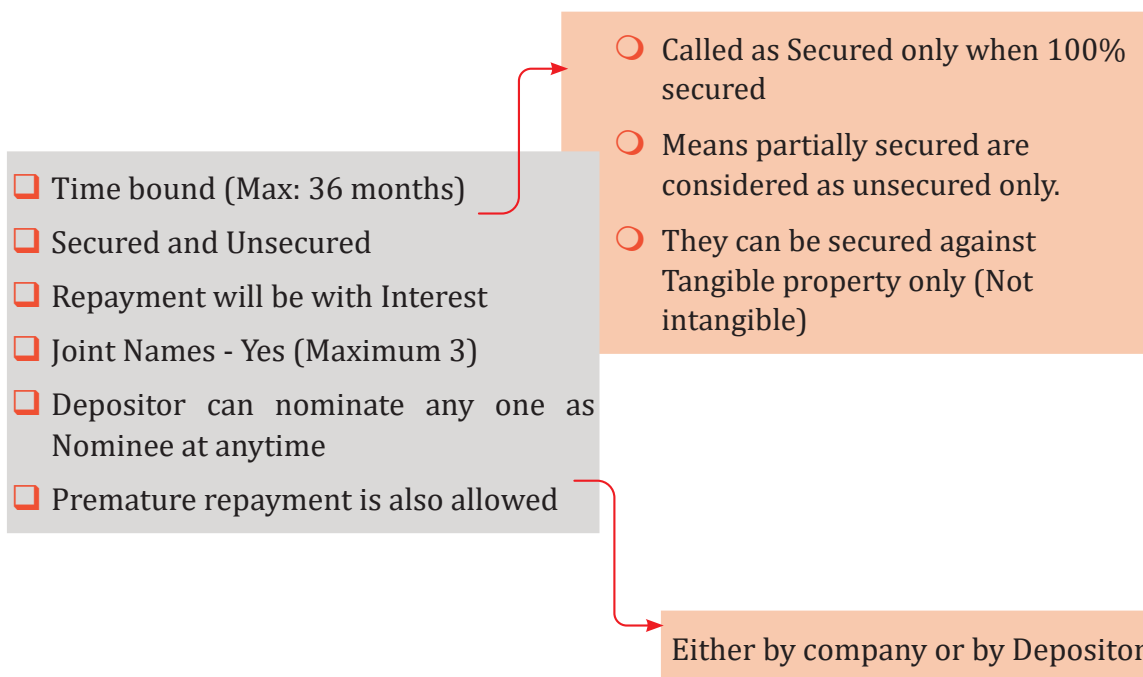
■ CERTAIN IMPORTANT TERMS EXPLAINED

Section 2(31) - DEPOSIT

The term “deposit” includes -

- ❑ Any receipt of money by way of deposit or loan or in any other form, by a company, but
- ❑ does not include such categories of amount
- ❑ as may be prescribed in consultation with the RBI

■ FEATURES OF DEPOSITS



■ DEPOSITOR

Who is a Depositor?

As per Rule 2 (1) (d) of the Companies (Acceptance of Deposits) Rules, 2014 -

- any member of a private or public company who has deposited money with his company is a 'depositor'.
- any person (Even if not a member of the company) who has deposited money with a public company is also a 'depositor'.

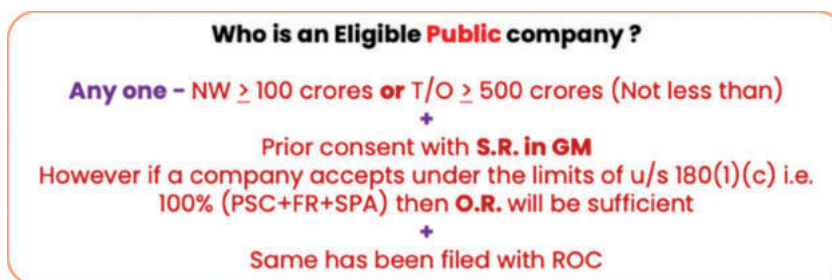
Who can accept deposits?

- From members:** Any company can accept deposits from members by passing an O.R.
- From Public:** Only public company which are eligible can accept from public (private are restricted)

Eligible Company

As per Rule 2 (1) (e) the term "eligible company" means -

- A public company (As referred to in section 76 (1)) is 'eligible' to accept deposits from the public at large only if it meets the mentioned criteria**



Deposits FROM	Accepted by PUBLIC COMPANY		Accepted by PRIVATE COMPANY
	ELIGIBLE CO.	NON ELIGIBLE	
From Members	✓ Yes	✓ Yes	✓ Yes
From Public	✓ Yes	✗ No	✗ No

■ PROHIBITIVE PROVISIONS AND EXEMPTED COMPANIES

73(1)

Prohibitive Provision

- No Company shall:
 - Invite
 - Accept
 - Renew
- Deposits without following the manner provided in this chapter
- Without following the manner provided in this chapter

Exempted Companies

- NBFCx
- Banking Companies
- Housing Finance Companies (HFCs)



**It means Deposit kites only apply to
Non Banking Non Financial Companies
E.g. - Manufacturing and trading companies etc.**

■ SECTION 76A- PUNISHMENT FOR CONTRAVENTION OF SECTION 73 OR 76

In case a company:

- Accepts or invites or allows any other person to accept or invite on its behalf any deposit
- which is in contravention of the manner or the conditions prescribed under section 73 or section 76 or rules made thereunder or
- if a company fails to repay the deposit or part thereof or
- any interest within the time specified under section 73 or 76 or rules made thereunder or such further time as may be allowed by the Tribunal under section 73,

Then the following consequences will follow:

Company:

In addition to the amount of deposit accepted/part thereof/Interest
Lower of (1 Cr or twice the deposits accepted) to Max. 10 Cr

Officer in Default:

25 lacs to 2 Cr AND Up to 7 years

75 - Fraud

If contravention was knowingly or wilfully done with the intention of fraud then liable **u/s 447 (Punishment for fraud)**

■ SECTION 75- PROVISION RELATED TO FRAUD

- Where a company fails to repay the deposit or part thereof or any interest thereon u/s 74 within the specified time, AND
- It is proved that the deposits had been accepted with intent to defraud the depositors or for any fraudulent purpose then -
 - The company and every officer
 - who was responsible for accepting the deposits shall be liable to repay with interest and may also be:
 - Punished under Section 447 (Punishment for Fraud), which means imprisonment + fine.

Rights of the depositors:

- Any suit, proceedings or other action may be taken
- by any person, group of persons or any association of persons
- who had incurred any loss
- as a result of the failure of the company to repay the deposits or part thereof or any interest thereon
- Depositors can apply to the Tribunal (NCLT) for necessary orders, like:
 - Freezing assets of the company
 - Recovery of deposits
 - Any other relief as necessary

■ RULE 2(I) (C)- AMOUNTS NOT CONSIDERED AS DEPOSIT

Note: The following negative list (As per the Rules) has been divided into 5 categories by the author to enhance the learning experience. The original clause numbers have been retained for accurate reference and compliance.

Divided into 5 categories

1. Institutions [Gov., banks, FI, Co. etc.]
2. Instruments [CP, Bonds, debentures etc.]
3. Persons [Employees, Directors, Relatives, Promoters etc.]
4. Business Advances [Ordinary Course of Business - OCB]
5. Others [Nidhi, Chit, Funds, Startup etc.]

S. No.	Amount received from	Description
Category 1 - INSTITUTIONS		
(i)	Government Sources	Any amount received from:- <ul style="list-style-type: none"><input type="checkbox"/> Central Government<input type="checkbox"/> State Government<input type="checkbox"/> Any other source whose repayment is guaranteed by CG/SG<input type="checkbox"/> Local authority<input type="checkbox"/> Statutory authority constituted under an Act of Parliament/State Legislature
(ii)	Foreign Sources	Any amount received from:- <ul style="list-style-type: none"><input type="checkbox"/> Foreign Governments<input type="checkbox"/> Foreign/International banks<input type="checkbox"/> Multilateral Financial Institutions (e.g., IFC, ADB, CDC)<input type="checkbox"/> Foreign govt.-owned development FIs<input type="checkbox"/> Foreign export credit agencies

		<input type="checkbox"/> Foreign collaborators <input type="checkbox"/> Foreign Body corporates & citizens <input type="checkbox"/> Foreign authorities or non-residents (Subject to FEMA compliance)
(iii)	Banks	Any amount received as a loan or facility from:- <input type="checkbox"/> Banking company <input type="checkbox"/> SBI or its subsidiaries <input type="checkbox"/> Notified banking institution <input type="checkbox"/> Corresponding new bank (1970/1980 Acts) <input type="checkbox"/> Co-operative bank
(iv)	Financial Institutions	Any amount received from:- <input type="checkbox"/> Public Financial Institutions (Notified by CG + RBI) <input type="checkbox"/> Regional financial institutions <input type="checkbox"/> Insurance companies <input type="checkbox"/> Scheduled banks (As per RBI Act, 1934)
(v)	From Other Companies - ICDs	Any amount received by a company from another company (Inter-Company Deposit)
Category 2 - INSTRUMENTS		
(vi)	RBI-Approved Instruments Commercial Papers	Any amount received against - <input type="checkbox"/> Issue of commercial paper or <input type="checkbox"/> any other instrument as per RBI guidelines
(vii)	Subscription of Securities	Any amount received and held towards - <input type="checkbox"/> Subscription to securities (Share application or advance towards allotment) Explanation: It will be considered as Deposits if appropriated against allotment and <ul style="list-style-type: none"> ○ Not allotted within 60 days and after that ○ Not refunded within 15 days after 60 days ○ Also, Adjustment for any other purpose will not be treated as refund.
(ix)	Secured Debentures	Any amount raised via:- <ul style="list-style-type: none"> ○ Secured Bonds/debentures by 1st charge or pari passu (excluding intangible assets)

		<ul style="list-style-type: none"> <input type="radio"/> Bonds & Debentures compulsorily convertible into shares within 10 years <input type="radio"/> Market Value of asset shall be more than amount of bonds and debentures (Registered Valuer)
(ixa)	Listed NCDs	<p>Amount raised by issue of NCDs:-</p> <ul style="list-style-type: none"> <input type="checkbox"/> Not constituting a charge on assets (Unsecured) <input type="checkbox"/> Listed on recognised stock exchange <p>Example: Soorya Ltd. issued ₹20L in NCDs – not deposit</p>

Example: Soorya Ltd. has raised Rs. 20,00,000 through issue of non-convertible debentures (20,000 NCDs of Rs. 100 each) not constituting a charge on the assets of the company. The NCDs are listed on a recognised stock exchange as per applicable regulations made by Securities and Exchange Board of India. The said amount will not be considered as deposit in terms of the rule stated above [Sub-clause (ixa)]

Category 3 - PERSONS		
(x)	Employee Deposits	<ul style="list-style-type: none"> <input type="checkbox"/> Any amount received from an employee of the nature - Non-interest bearing security deposit ≤ annual salary of employee. <p>Example:</p> <ul style="list-style-type: none"> <input type="checkbox"/> ₹6.5L received when salary is ₹6L = Deposit <input type="checkbox"/> If ≤ ₹6L, then not a deposit

Example: Ratnakar was appointed as Supervisor by Siddhi Transporters and Logistics Limited on an annual salary of Rs. 6,00,000. He was required to deposit a sum of Rs. 6,50,000 under the contract of employment with the company as security deposit on which no interest was payable to him.

(viii)	From Director or Relative	<ul style="list-style-type: none"> <input type="checkbox"/> Any amount received from - <ul style="list-style-type: none"> <input type="radio"/> A director of public/Private Co. or <input type="radio"/> A Relative of the director of the private co. <p>provided:</p> <ul style="list-style-type: none"> <input type="radio"/> The person gives a written declaration that the amount is not out of borrowed funds or loans or deposits from others. <input type="radio"/> The company must disclose details of such amount in the Board's Report.
(xiii)	Promoter's Loan (FI Condition)	<ul style="list-style-type: none"> <input type="checkbox"/> Unsecured loan from promoter/relative due to FI/Banks stipulation <p>Conditions -</p> <ul style="list-style-type: none"> <input type="checkbox"/> Stipulation imposed by lending FI/Bank <input type="checkbox"/> Given by promoter/relative or both <input type="checkbox"/> Exemption available only till such loan is repaid to FI/Bank.

Category 4 - BUSINESS ADVANCES (ORDINARY COURSE OF BUSINESS)		
(xii)	Advance in Business Course	<p>Received in business course as:-</p> <ul style="list-style-type: none"> a. Advance for goods/services but appropriated or used within 365 days. <ul style="list-style-type: none"> ○ Any advance which is subject matter of any legal proceedings before any court of law, 365 days limit shall not apply. b. Advance received for immovable property, but adjusted as per terms of the agreement c. Security deposit for contract. d. Advance under long-term projects for supply of capital goods. e. Advance received for future services, such as warranty or maintenance, is allowed only up to the maximum period specified by business practice or 5 years, whichever is lower. f. Advance received from any sectorial regulator/govt. g. Advance for subscription towards publication (Print or online)

Note:

- ❑ If amounts received under items (a), (b), and (d) become refundable (with or without interest) because the company lacks necessary permission/approval to deal in those goods, properties, or services, then such amounts will be treated as deposits under these rules.
- ❑ **Explanation:** These amounts will be considered deposits if not refunded within 15 days from the due date for refund.

(xi)	Held in Trust	Any non-interest bearing amount received and held in trust
Category 5 - OTHERS		
(xiv)	Nidhi Companies	Any amount accepted by Nidhi company as per Section 406 rules
(xv)	Chit Funds	Amount received under a Chit as per Chit Fund Act, 1982
(xvi)	Collective Investment Scheme	Amount under SEBI-registered Collective Investment Schemes
(xvii)	Start-up Convertible Note	<ul style="list-style-type: none"> ❑ Amount \geq ₹25L received in single tranche via convertible note (Convertible or repayable \leq 10 yrs) ❑ Recognised start-up under DPIIT Notification <p>Example: ₹20L + ₹10L in 2 tranches = Deposit (not valid exemption)</p>

Example: Greenwood Limited ("The company") which is registered as a start-up under the Companies Act, 2013 has received an amount of Rs. 20 lakh and Rs. 10 lakh on different dates by way of convertible notes. Though the company has received an amount of Rs. twenty-five lakhs or more, the said amount will be considered as deposit because the amount has not been received in a single tranche in terms of the rule stated above Sub-clause (xvii)].

Note: “Convertible note” means an instrument evidencing receipt of money initially as a debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of the start-up company upon occurrence of specified events and as per the other terms and conditions agreed to and indicated in the instrument.

(xviii)	SEBI-Registered Funds	Amount from:- <input type="checkbox"/> Alternate Investment Funds (AIFs) <input type="checkbox"/> Venture Capital Funds (VCFs) <input type="checkbox"/> Infrastructure Investment Trusts (InvITs) <input type="checkbox"/> Real Estate Investment Trusts (REITs) <input type="checkbox"/> Mutual Funds (SEBI-registered)
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Note: Clarification regarding amounts received by private companies from their members, directors or their relatives before 1st April, 2014 – whether to be considered as deposits or not under the Companies Act, 2013 (General Circular No. 5/2015, dated 30-03-2015)

It is clarified that such amounts received by private companies prior to 1st April, 2014 shall not be treated as ‘deposits’ subject to the condition that relevant private companies shall disclose in the notes to its financial statement the figure of such amounts and the accounting head in which such amounts have been shown.

However, any renewal or acceptance of fresh deposits on or after 1st April, 2014 shall be in accordance with the Companies Act, 2013 and the rules made thereunder.

MULTIPLE CHOICE QUESTIONS (MCQ)

1. Varsha Limited decides to raise deposits of ₹20 lakh from its members. However, it proposes to secure such deposits partially by offering a security worth ₹15 lakh. Which of the following options best describe such deposits:
 - (a) Fully secured deposits (except a small portion)
 - (b) Unsecured deposits
 - (c) Partially secured deposits**
 - (d) These cannot be classified as deposits

■ TENURE FOR WHICH DEPOSITS CAN BE ACCEPTED – RULE 3(I)

A company is NOT permitted to accept or renew deposits whether secured or unsecured -

1. Repayable on demand
2. For less than 6 months.
3. The Maximum period of acceptance of deposit cannot exceed 36 months.

Rate as per
RBI
prescribed
for NBFCs

Exception to the rule of tenure of 6 months -

For meeting short-term fund requirements, a company may accept/renew deposits repayable before 6 months given -

1. **Limit:** Maximum 10% of the aggregate of (PSC+FR+SPA):
 - Paid-up Share Capital
 - Free Reserves
 - Securities Premium Account

2. Minimum Tenure: Such deposits must be repayable on or after 3 months from the date of deposit/renewal

Example: Arpit, a member of Swapnil Traders Private Limited deposited Rs. 1,00,000 with his company on 1st April, 2024. The earliest repayment date in this case shall be 30th September, 2024 and the latest repayment date shall be 31st March, 2027. Thus, the tenure will range between six months and thirty-six months, as per the policy of Swapnil Traders Private Limited.

Example 2: Continuing the example of Swapnil Traders Private Limited, it is assumed that the aggregate of its paid-up share capital, free reserves and securities premium account is Rs. 2,00,00,000. In order to meet its short-term requirement of funds, it can raise deposits maximum up to Rs. 20,00,000 (Being 10% of Rs. 2,00,00,000) whose repayment tenure can be less than six months; but such tenure cannot be less than three months.

Therefore, Swapnil Traders Private Limited must ensure that the short-term deposits so accepted are repaid only on or after three months from the date of such deposits.

MULTIPLE CHOICE QUESTIONS (MCQ)

2. What is the maximum tenure for which a company can accept or renew deposits from its members as well as the public?
(a) 12 months (b) 24 months
(c) 36 months (d) 48 months
3. As per the provisions of the Companies Act, 2013 and relevant rules thereunder, an eligible company is not permitted to accept from public or renew the same deposits (Whether secured or unsecured) which is repayable on demand or in less than _____ months. Further, the maximum period of acceptance of deposit cannot exceed _____ months. But, for the purpose of meeting any of its short-term requirements of funds, a company may accept or renew deposits for repayment earlier than _____ months subject to certain conditions.
(a) six, thirty-six, six
(b) three, twenty-four, three
(c) six, sixty, six
(d) three, sixty, six
4. No deposits are repayable earlier than _____ from the date of such deposits or renewal thereof. **(MTP NOV 2019)**
(a) 2 months **(b) 6 months**
(c) 8 months (d) 12 months
5. Where depositors so desire, deposits may be accepted in joint names not exceeding ____
(a) 2 **(b) 3**
(c) 5 (d) 7

■ MAXIMUM AMOUNT OF DEPOSITS FROM MEMBERS AND PUBLIC

Ceiling Limits for PRIVATE Companies - (PSC+FR+SPA)
For Normal Private company and IFSC Pvt Co :- Max 100%

- From director and relatives = YES
- From members = 100%.
- From public = Not allowed

For Special Class of PVT Companies : NO LIMIT

No limit for such Start up PVT and Exempted PVT companies

- A start up private company (10 years)
- Other private co who fulfils such conditions :
 - Not an AS or SC of any company
 - Borrowings from Banks/PFI/BC is less than {Lower of 2(PSC) or 50 Cr.}
 - No subsisting default in repayment of such borrowings

Ceiling Limits for PUBLIC Companies - (PSC+FR+SPA)

Eligible Public company = Total 35%

- In case of Non Government
 - From members = Up to 10%
 - From other than members = Up to 25%
- In case of Government = 35% (No bifurcation)

Ineligible Public company = Total 35% only from members

Note: It may be noted that all the companies accepting deposits shall file the details of monies so accepted with the Registrar in Form DPT-3.

■ SUMMARY CHART FOR CEILING LIMITS

Type of Company	From Public	From Members	Total
Private Company (Only Mem.)			
Normal Pvt. Co.	X	100%	100%
Exempted Pvt. Co. (All 3 Conditions)	X	NO LIMIT	NO LIMIT
Start Up Pvt. Co.	X	NO LIMIT	NO LIMIT
Public Company			
Eligible Public Co. (Non-Gov.)	25%	10%	35%
Eligible Gov. Co. (Pub + Mem)	35%		35%
Other (Non-Eligible) So Only From Members	X	35%	35%
IFSC	X	100%	100%

■ PROVISIONS REGARDING ACCEPTANCE OF DEPOSITS FROM MEMBERS

Acceptance of deposits from Members

Requirement as per Section 73(2)


- A company is required to pass an OR in GM for acceptance of deposits from its members.
- Any company may accept or renew deposits from its members by following the provisions of 73(2)**

Section 73(2) - Conditions for Accepting Deposits from Members

Mnemonic - CCD में बैठकर Default मत करना Study करना

- a. C - Issue a Circular
- b. C - Circular to be filed with ROC

- c. D - DRR to be maintained
- d. Default - No default certificate
- e. S - Security provision for the deposits

Section or Rule	Clause	Provision/Requirement
Sec. 73(2)(a)	Issuance of Circular 	<input type="checkbox"/> Company shall issue a circular to its members containing a statement showing: <ul style="list-style-type: none"> <input type="radio"/> Financial position <input type="radio"/> Credit rating obtained <input type="radio"/> Total number of depositors <input type="radio"/> Amount due towards past deposits <input type="radio"/> Other prescribed particulars
Rule 4	Mode of Circulation of Circular	<input type="checkbox"/> Sent to all members by: <ul style="list-style-type: none"> <input type="radio"/> Registered Post with AD/Speed Post/Electronic Mode <input type="checkbox"/> Publish in: <ul style="list-style-type: none"> <input type="radio"/> English newspaper (English language) <input type="radio"/> Vernacular newspaper (Vernacular language) in State of Registered Office
Rule 4	Attachment of Auditor's Certificate	<input type="checkbox"/> Certificate from statutory auditor in Form DPT-1 stating: <ul style="list-style-type: none"> <input type="radio"/> No default in repayment of deposits/interest OR <input type="radio"/> Default rectified + 5 years lapsed since rectification
Rule 4	Authority for Issue	Circular must be issued on the authority and in the name of the BODs
Rule 4	Validity of Circular	<input type="checkbox"/> Circular valid till: <ul style="list-style-type: none"> <input type="radio"/> 6 months from closure of FY OR <input type="radio"/> Date of AGM/Latest due date for AGM, whichever is earlier <input type="checkbox"/> A fresh circular shall be issued, in each succeeding financial year, for inviting deposits during that financial year

Example: Ray Pharmaceuticals Limited issued a Circular inviting 'deposits' from its members on 14-02-2023. Its Annual General Meeting (AGM) was held on 07-09-2023. Since six months from the closure of FY 2022-23 end on 30-09-2023, the Circular remains valid till 07-09-2023 only. After this date, a fresh Circular shall be issued if the company wants to invite further deposits from its members.

Sec 73(2)(b)	Filing with Registrar	<input type="checkbox"/> Circular to be filed with ROC 30 days before the date of its issue
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Sec 73(2)(c) + Rule 13	Deposit Repayment Reserve Account	<input type="checkbox"/> At least 20% of deposits maturing during the following financial year <input type="checkbox"/> to be deposited by 30th April each year <input type="checkbox"/> in Deposit Repayment Reserve Account maintained in a scheduled bank in a separate bank account and <input type="checkbox"/> Shall not be used for any other purpose than repayment of deposits <p>Provided that the amount remaining deposited shall not at any time fall below 20% of the amount of deposits maturing during the financial year.</p>
Sec 73(2)(e)	Certification of No Default	<input type="checkbox"/> Company must certify that: <ul style="list-style-type: none"> <input type="radio"/> It has not defaulted in repayment of any deposits or interest, OR <input type="radio"/> If default occurred → Default rectified + 5 years lapsed
<p>Exemption From conditions (a) to (e) in Section 73(2) To IFSC Public and THREE TYPES OF Private companies</p> <ul style="list-style-type: none"> <input type="checkbox"/> Who borrows 100% (PSC+FR+SPA) or under from its members means less than Sec 180(1) (c) <input type="checkbox"/> A Start up company (10 years) <input type="checkbox"/> A Private Co. who fulfils ALL such conditions: <ul style="list-style-type: none"> <input type="radio"/> Not an Associate or Subsidiary of any other company <input type="radio"/> Borrowings from Banks/PFI/BC is less than {Lower of 2(PSC) or 50 Cr.} <input type="radio"/> No subsisting default in repayment of such borrowings <p>However, all such companies referred above shall file the details of monies accepted to the Registrar in Form DPT-3</p>		
Sec 73(2)(f)	Provision of Security for Deposits	<p>Security may be provided for repayment of deposits/interest → Charge to be created on assets</p> <p>Unsecured deposits (Fully or partially) → Clearly mentioned in every circular, form, advertisement or in any document related to invitation or acceptance of deposits.</p>

MULTIPLE CHOICE QUESTIONS (MCQ)

6. Arpit Nirman Developers Limited has accepted deposits from its members which are being repaid without any default on maturity. As a statutory obligation, the company is required to deposit, on or before 30th April of each year, a certain amount of deposits matured during the following financial year and kept in a separate bank

account. Advise the company regarding the quantum of the amount that must be so deposited. **(Nov 23)**

- (a) Not less than 10% of the amount.
- (b) Not less than 20% of the amount.**
- (c) Not less than 30% of the amount.
- (d) Not less than 50% of the amount.

7. Suneet Spices Limited decides to raise deposits of ₹20.00 lacs from its members. However, it is of the opinion to secure such deposits partially by offering security worth ₹15.00 lacs. Which of the following options best describe such deposits:

- (a) Fully secured deposits (Except a small portion)
- (b) Unsecured deposits**
- (c) Partially secured deposits
- (d) None of the above

8. Bhumi Real Estate Developers Limited has accepted deposits from its members which are being paid on maturity without any default. As a statutory obligation, the company is required to deposit in a specified account opened with its bankers, a particular amount on or before 30th April of each year till the deposits are fully repaid. Advise the company regarding the quantum of amount

which must be so deposited.

- (a) Not less than 50% of the amount of its deposits maturing during the following financial year.
 - (b) Not less than 30% of the amount of its deposits maturing during the following financial year.
 - (c) Not less than 20% of the amount of its deposits maturing during the following financial year.**
 - (d) Not less than 10% of the amount of its deposits maturing during the following financial year.
9. A reserve account that shall not be used by the company for any purpose other than repayment of deposits is called:
- (a) Debenture redemption reserve account
 - (b) Deposit repayment reserve account**
 - (c) Capital redemption reserve account
 - (d) Free reserve account

■ SECTION 76- PROVISIONS REGARDING ACCEPTANCE OF DEPOSITS FROM PUBLIC BY ELIGIBLE COMPANIES

All conditions to be followed as per Section 73(2) EXCEPT (f)

PUBLIC Company can accept only Secured deposits from the public so no need for (f) condition

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Some Additional conditions

- Only 'eligible companies' are permitted to accept deposits from the public, in addition to their members.
- It means not all the companies can access the public at large for raising deposits though they can accept deposits from their members.

Who is an Eligible Public company ?

NW \geq 100 crores **or** T/O \geq 500 crores (Not less than)

+

Prior consent with **SR in GM**

However if a company accepts under the limits of u/s 180(1)(c) i.e. 100% (PSC+FR+SPA) then **OR** will be sufficient

+

Same has been filed with ROC

3- Additional Conditions

TO BE FOLLOWED BY ELIGIBLE COMPANIES

1	Credit Rating Requirement	<ul style="list-style-type: none"> <input type="checkbox"/> Eligible companies must obtain credit rating (net worth, liquidity, repayment ability) from a recognized credit rating agency. <input type="checkbox"/> Rating should ensure adequate safety, & be informed to the public at the time of inviting deposits. <input type="checkbox"/> Rating to be obtained every year during the tenure of deposits. <input type="checkbox"/> Copy of rating to be sent to ROC annually along with Form DPT-3 <input type="checkbox"/> Rating must not be below minimum investment grade. Obtained from credit rating agencies as prescribed for NBFCs by RBI
2	Charge Creation on Secured Deposits	<ul style="list-style-type: none"> <input type="checkbox"/> If deposits are secured, company shall create a charge on its tangible assets within 30 days of acceptance. <input type="checkbox"/> Amount of charge \geq Amount of deposits accepted. <input type="checkbox"/> Charge to be created in favour of deposit holders, following prescribed rules. <input type="checkbox"/> Intangible assets cannot be charged (e.g., Goodwill, trademarks). <input type="checkbox"/> Valuation of assets to be done by a registered valuer. <input type="checkbox"/> Security to be created in favour of trustees for depositors on specific movable or immovable property.
3	Issuance of Circular (Advertisement)	<ul style="list-style-type: none"> <input type="checkbox"/> Eligible companies must issue advertisements in Form DPT-1. <input type="checkbox"/> Publish in English (English newspaper) + Vernacular (Vernacular newspaper) with wide circulation in the State of registered office. <input type="checkbox"/> Upload on the company's website, if available. <input type="checkbox"/> Advertisement must be issued in the name and on authority of the Board of Directors.
4.	Filing with ROC	<ul style="list-style-type: none"> <input type="checkbox"/> At least 30 days before issue of advertisement, a copy signed by majority of directors (Or authorized agents) must be filed with Registrar of Companies
5.	Validity of Advertisement	<ul style="list-style-type: none"> <input type="checkbox"/> Valid till earliest of: <ul style="list-style-type: none"> <input type="radio"/> 6 months from closure of financial year <input type="radio"/> Date of AGM or last date by which AGM should have been held.
6.	Fresh Advertisement	<ul style="list-style-type: none"> <input type="checkbox"/> Fresh advertisement to be issued each financial year for inviting deposits.

■ OTHER PROVISIONS REGARDING ACCEPTANCE AND RENEWAL OF DEPOSITS

S. No.	Provision	Description
1.	Repayment of Deposits Sec 73(3)	<input type="checkbox"/> Every company is required to repay the amount of deposits <input type="checkbox"/> Along with interest as per the terms and conditions agreed at the time of accepting the deposit.
2.	Default → Application to NCLT Sec 73(4)	<input type="checkbox"/> If a company fails to repay the deposit or interest thereon, <input type="checkbox"/> The depositor concerned may apply to the National Company Law Tribunal (NCLT) <input type="checkbox"/> To seek appropriate orders for repayment, interest, and possibly compensation.
3.	Deposit Repayment Reserve A/c Sec 73(5)	<input type="checkbox"/> Every company accepting deposits is required to utilise the amount only for the purpose of repayment of deposits.
4.	Deposits in Joint Names [Rule 3(2)]	<input type="checkbox"/> Deposits can be made in joint names with a maximum of three persons. <input type="checkbox"/> These deposits may be held jointly, or on an either or survivor basis, or with the first named or survivor, or anyone or survivor basis.

Example: A, B and C have jointly deposited Rs. 3,00,000 in a company.

In case of 'Jointly' clause:

The repayment of deposit on maturity shall be made to all the three together i.e. A, B and C or the survivors.

In case of 'Either or Survivor' clause:

The repayment of deposit on maturity shall be made to either of the three i.e. either A or B or C or the survivor.


In case of 'First named or Survivor' clause:


The repayment of deposit on maturity shall be made to the first named person i.e. A if he is the first named person or the survivor.

In case of 'Anyone or Survivor' clause:

The repayment of deposit on maturity shall be as in the case of 'Either or Survivor'.

	Rate of Interest and Brokerage [Rule 3(6)]	<input type="checkbox"/> The rate of interest payable on deposits and the amount of brokerage to be paid <input type="checkbox"/> to authorised persons <input type="checkbox"/> shall be as prescribed by the Reserve Bank of India (RBI) for Non-Banking Financial Companies (NBFCs).
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	No Alteration of Terms [Rule 3(7)]	<input type="checkbox"/> After accepting the deposits, <input type="checkbox"/> a company is not permitted to alter the terms and conditions <input type="checkbox"/> to the disadvantage of the depositor.
4	Trustee for Depositors [Rule 7] 	<input type="checkbox"/> Every company has to appoint in BM by passing BR by BOD before issuing any circular or advertisement inviting secured deposits. <input type="checkbox"/> Take written consent from trustees before their appointment. <input type="checkbox"/> It should appear in the circular or advertisement that such consent has been taken. <input type="checkbox"/> A Trust Deed in DPT-2 before 7 days of circular or Ad.
5	Who all are Disqualified to be a Trustee	<input type="checkbox"/> Depositor <input type="checkbox"/> Any related party/KMP/Director/ EE of CASH <input type="checkbox"/> Indebted to CASH <input type="checkbox"/> Material Pecuniary relationship <input type="checkbox"/> A person who has given guarantee for deposits accepted by Co. <input type="checkbox"/> Related parties to above
6	Trustees removal	<input type="checkbox"/> Generally, a trustee cannot be removed before their expiry of the term but YES - <input type="checkbox"/> With the consent of all directors present in BM. <input type="checkbox"/> If the company is required to appoint an Independent Director, then at least one Independent Director must be present at the Board Meeting.
7	Duties of Trustees [Rule 8]	<input type="checkbox"/> Call meeting of depositors whenever required. <input type="checkbox"/> Take necessary action if security becomes enforceable. <input type="checkbox"/> Protect interests of depositors and address their grievances. <input type="checkbox"/> Ensure compliance with trust deed and take steps to remedy any breach. <input type="checkbox"/> Verify that the circular/advertisement is consistent with the terms of deposits, trust deed, and legal provisions. <input type="checkbox"/> Supervise creation of security for deposits. <input type="checkbox"/> Ensure assets charged are sufficient and cover interest.
8.	[Rule 9]	<input type="checkbox"/> A meeting for depositors can be called by the trustee if - <ul style="list-style-type: none"> <input type="radio"/> a written requisition is received and signed by depositors holding <input type="radio"/> at least 1/10th in value of the total deposits.

9.	Deposit Receipt [Rule 12]	<input type="checkbox"/> Every company must issue a deposit receipt <input type="checkbox"/> within 21 days from the date of receipt of the deposit or renewal. <input type="checkbox"/> The receipt should state - <ul style="list-style-type: none"> <input type="radio"/> The name and address of the depositor; amount <input type="radio"/> rate of interest, and <input type="radio"/> maturity date.
10.	Register of Deposits [Rule 14] 	<input type="checkbox"/> A company accepting deposits shall maintain a register of deposits at its registered office. <input type="checkbox"/> The entry of every acceptance or renewal of deposit must be made - <input type="checkbox"/> Within 7 days from such acceptance or renewal. <input type="checkbox"/> It should be duly authenticated by a director or secretary or any other authorised officer. <input type="checkbox"/> The register should be preserved for a minimum period of 8 years from the FY in which the latest entry is made in the register.
11.	Premature Repayment [Rule 15] Premature Renewal for Higher Interest	<input type="checkbox"/> Deposits can be repaid before maturity <input type="checkbox"/> after a period of 6 months. <input type="checkbox"/> In such cases, the company shall pay interest 1% lower than the prescribed rate. <input type="checkbox"/> Ignore any period which is less than 6 months. Any part more than 6 months shall be rounded up and counted as an year. <input type="checkbox"/> However, no reduction in interest shall apply where premature repayment is made - <ul style="list-style-type: none"> <input type="radio"/> When co. calls it <input type="radio"/> Due to death of the depositor or direction of any regulatory authority or <input type="radio"/> depositor who may be into Military/War/Navy/Air force etc. <p>If the depositor wants to renew before the maturity date for higher rate of interest then it is allowed only if -</p> <input type="checkbox"/> The renewal period of deposit is longer than the remaining (Unexpired) period of the earlier deposit.
12.	Return of Deposits (DPT-3) [Rule 16]	<input type="checkbox"/> Every company shall file a Return of Deposits in Form DPT-3 to ROC <input type="checkbox"/> on or before 30th June of every year. <input type="checkbox"/> including particulars upto 31st March of every year.

		<input type="checkbox"/> The return shall include both - deposits and particulars of transactions that are not considered deposits (For example, exempted deposits). <input type="checkbox"/> Government companies are exempted from this requirement.
13.	Disclosures in Financial Statements [Rule 16A]	Public Companies: <input type="checkbox"/> Must disclose details of deposits accepted from Directors. Private Companies: <input type="checkbox"/> Required to disclose details of deposits accepted from Directors or their relatives. One-Time Return: <input type="checkbox"/> Applicable to every company except Gov. Co. outstanding deposits or loans accepted and not considered as deposits between 1st April 2014 to 31st March 2019 in form no. DPT-3 with ROC within 90 days from 31st March 2019.
14.	Penal Interest for Delay [Rule 17]	<input type="checkbox"/> If a company defaults in repayment of deposit or interest, <input type="checkbox"/> it shall be liable to pay penal interest at the rate of 18% per annum for the period of delay.
15.	Punishment for Contravention [Rule 21]	If a company contravenes any of the provisions relating to deposits, <input type="checkbox"/> it shall be liable to pay a fine which may extend to ₹5,000 and <input type="checkbox"/> in case of continuing contravention, a further fine of ₹500 for every day during which such contravention continues.
Some other Rules -		
6.	Application Form for Deposits	<input type="checkbox"/> Every application form for deposits shall contain a declaration by the depositor to the effect that - <input type="checkbox"/> The deposit is not being made out of any borrowed funds.
8.	Nomination	<input type="checkbox"/> Depositors are allowed to nominate any person, <input type="checkbox"/> who shall be entitled to receive the deposit amount in case of the depositor's death.

MULTIPLE CHOICE QUESTIONS (MCQ)

10. Fin Limited is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the minimum period for which it should mandatorily be preserved in good order.

(a) Four years from the financial year in which the latest entry is made in the Register.

(b) Six years from the financial year in which the latest entry is made in the Register.

(c) **Eight years from the financial year in which the latest entry is made in the Register.**

(d) Ten years from the latest date of entry.

11. Every company shall pay a penal rate of interest of ----- per annum for the overdue period in case of deposits, whether secured or unsecured, matured and claimed but remaining unpaid:
- (a) 9% (b) 14%
(c) 18% (d) 24%
12. Dream World Entertainment Limited, has accepted deposits worth ₹50.00 lacs from public on 1st April 2019 for a period of 24 months i.e. repayment of deposit would be made on 31st March 2021. The rate of interest payable on such deposits is 9% p.a. One of the depositors Mr. Aman requested the company on 1st June 2020 for premature repayment of his deposit of ₹6.00 lacs along with interest. Advise the company in the said matter.
- (a) The company can only make premature repayment of deposit with an intention to reduce the total amount of deposits to bring it within permissible limits. Hence, in the given case, the company cannot repay the deposit before the actual maturity.
- (b) The company can prematurely repay the deposit along with interest @9% p.a. for the period of 12 months (From 1st April 2019 to 31st March 2020).
- (c) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 12 months (From 1st April 2019 to 31st March 2020).**
- (d) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 14 months (From 1st April 2019 to 31st May 2020).
13. Ruchita wants to renew her deposit of ₹5.00 lakh maintained with Kewal Constructions Limited before the expiry of original period with a view to avail higher rate of interest. For how much extended period, Ruchita is required to renew her deposit, so that the company shall pay her higher rate on deposits?
- (a) One and a half times the unexpired period of original deposit.
 (b) Double the unexpired period of original deposit.
 (c) Six months more in addition to the unexpired period of deposit.
(d) Longer than the unexpired period of deposit.
14. A Limited Company is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the minimum period for which it should mandatorily be preserved in good order. **(1 Mark) (MTP Oct. 22)**
- (a) Four years from the financial year in which the latest entry is made in the Register.
 (b) Six years from the financial year in which the latest entry is made in the Register.
(c) Eight years from the financial year in which the latest entry is made in the Register.
 (d) Ten years from the latest date of entry.
15. A company shall execute a deposit trust deed at least ___days before issuing the circular or circular in the form of advertisement. **(1 Mark) (MTP May 21)**
- (a) 7 (b) 14
 (c) 21 (d) 28

■ SECTION 74 REPAYMENT OF DEPOSITS ACCEPTED BEFORE COMMENCEMENT OF THE ACT

Transitional Provisions
Applicable from 1/04/2014

NOT RELEVANT

Filing of Statement of Deposits with the Registrar Companies and Repayment thereafter:

DPT-4

- Such deposits are due or unpaid then file a Statement with ROC in DPT-4 in 3 months + 2 months
Section 74 (1)
- Repay such deposits in (3 year or expiry period) whichever is earlier
- Tribunal may extend the time on application considering the financial position of the company
Section 74 (2)
- Punishment for Non-Repayment of Deposits - **Section 74(3)**

If a company fails to repay the deposit or part thereof or any interest thereon within the time specified in section 74 (1) or such further extended time allowed by the Tribunal under section 74 (2), the company shall, in addition to the payment of the amount of deposit or part thereof and the interest due, be punishable as under:

- (a) **Company:** with fine minimum of one crore rupees and maximum of ten crore rupees; and
- (b) **Every officer-in-default:** with imprisonment extendable to seven years or with fine minimum of twenty-five lakh rupees and maximum of two crore rupees, or with both.

■ SUMMARY OF ALL DTP FORMS

All DPT Forms Covered Under The Chapter

- DPT-1**-Circular (Private Co.) and Circular in the form of Advertisement by Public company for deposits
- DPT-2**-Trust Deed
- DPT-3**-Return of Deposits
- DPT-4**-Transitional form (One time)

