

MCA TURNS TO AI FOR COMPLIANCE MONITORING

Get ready for e-show cause, pay penalty online

SUDIPTO DEY

Recently, the Ministry of Corporate Affairs (MCA) unveiled on its website an artificial intelligence-based Compliance Monitoring System (CMS). This will enable real-time monitoring of non-compliance of certain technical provisions in the Companies Act, 2013.

The CMS has started generating e-show cause to companies and directors for non-compliance related to holding their annual general meetings and lapses in the filing of secretarial audit reports. It allows e-adjudication of certain lapses and paying penalties online, doing away with the need to visit an MCA office or go through a legal process. Experts explain how companies can help make the CMS better to save themselves non-compliance costs, time, and resources.

How is the just-launched CMS different from the earlier practice of tackling lapses in compliance?

Currently, all forms and documents are electronically filed with the MCA. The returns filed give it visibility on technical compliances and whether they are within the due date.

Before the launch of the CMS, MCA offices (i.e. registrar of companies) issued notices by speed post or registered post to non-complying companies or individual directors. However, the MCA has now introduced the provision for online adjudication of offences.

The MCA CMS portal will identify non-compliances and send show-cause notices to non-compliant companies/directors digitally. "This system will reduce physical visits to the RoC/MCA as defaulting companies and directors will now be required to submit a reply to show-cause notices on the MCA CMS portal," says Vishwas Panjiar, partner, Nangia Andersen.

What are the types of lapses that will come under the ambit of the CMS?

The system will largely cover non-compliances that are in nature technical lapses. So far, several companies have received e-show cause from the CMS on non-compliance of holding their annual general meetings or certain lapses in the filing of secretarial audit reports,

says Dhaval Gusani of DVG & Associates, a corporate law consultancy firm.

However, going forward its ambit will include default in filing declaration before commencement of business, failure to comply with the provisions for intimating change in the share capital of the company, non-filing of annual return within prescribed time, gaps in information regarding appointment of directors, director exceeding the number of

directorships, among others, points out company secretary Gaurav Pingle.

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the CMS?

Experts say the recipients of e-show-cause notices are given 15 days to respond. "As there is a limit of 500 words and one should be judicious and precise while replying to the show-cause notice. A reply, once submitted, cannot be altered," says Panjiar.

The CMS is subject to logging on



the portal through the CMS Reference Number as mentioned in the show-cause notice. It is further subject to OTP verification through e-mail. One is allowed to attach two PDF files (not exceeding 50 MB).

"After the order of the ROC, the complainant has the option to appeal to the regional director. The adjudication process is online," says Pingle.

Experts say that through the CMS, the government is trying to ensure strict compliance of the provisions of

the Companies Act. Pingle highlights the need for sensitising promoters, directors, and managements about the importance of timely compliances.

After the launch of the AI-based portal, every company has to file necessary documents with the registrar of companies to avoid notices and penalty. "Filing of e-forms is not sufficient; filing it timely after due compliance is a must," says Gusani.