

IOD joins hand with IICA as Partner

Independent Directors' Databank

*IOD News



Independent Directors (ID)

Independent Directors serve as an important Institution of corporate governance contributing significantly at the boards by bringing a diverse set of skills with an independent judgement on the significant issues. Independent Directors need to act as the custodians of good governance by discharging, monitoring, and advisory role effectively. They need to act in the interest of the company and the interest of all stakeholders.

The factor that strengthens the corporate governance framework the most, is the role played by the Independent Directors. To bring transparency and integrity to corporate boards, Independent Director's conduct is seen as the benchmark. Independent Directors are seen as the catalyst of change, who bring value to the board and provide the right balance with their diverse and cross-functional professional skills.

Corporate scandals like Satyam, Kingfisher Airlines, ICICI Bank, Jet Airways, & IL&FS have shown failure of checks and balances vested in the Independent Directors. ID are liable to

face both civil and criminal charges as liability. A total of around 800 IDs have annually resigned in India, during the last 2 years.

The rules of ID are applicable to all listed companies and unlisted companies with more than Rs.10crores as 'Paid up capital', who are required to have at least 1/3rd of the directors on the board as independent directors.

Independent Directors Databank

The Ministry of Corporate Affairs, with the objective of strengthening the institution of Independent Directors under the Companies Act, launched the Independent Director's Databank in accordance with the provisions of the Companies Act, 2013 and the rules made thereunder.

Ministry of Corporate Affairs (MCA), Government of India has authorized Indian Institute of Corporate Affairs (IICA), notified under sub-section (1) of section 150 of the Companies Act, 2013 to create and maintain an online databank of Independent Directors, under the Companies (Creation and Maintenance of Databank of Independent Directors) Rules, 2019, and the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019.

Objectives:

- Create and operate a verified databank of existing and aspiring Independent Directors.
- Provide a platform to self-assess the understanding and knowledge on various topics of corporate governance, regulatory and compliance framework, board essentials, board practices and other important areas.
- Provide a platform to companies requiring to appoint Independent Directors to search and select from databank of existing and aspiring individuals, by using variety of search criteria.

Launch of the Databank

The Databank was launched by Mr. Injeti Srinivas, Secretary Ministry of Corporate Affairs, on 02nd December, 2019, and can



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be accessed at www.mca.gov.in or www.independentdirectorsdatabank.in. A detailed handbook was also released by MCA, which includes objectives, empanelment and registration process, and available knowledge resources. The handbook is also available on <https://www.independentdirectorsdatabank.in/pdf/handbook/Handbook-v15.pdf>. Dr. Niraj Gupta, Head - SoCGPP, IICA has been nominated, as the Nodal Officer - IICA ID Portal.

Independent Director Empanelment Process

The 'Databank of Independent Directors' provides a total list of Independent directors, by way of empanelment of existing Independent Directors as well as the professionals, with/without DIN, aspiring to become independent directors. The ID Portal shall have a pool of qualified 'Board Ready' Independent Directors. This will keep a check on frivolous appointments.

As per the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, every individual whose name is included in the databank shall have to pass an online proficiency self assessment test conducted by the institute, within a period of one year from the date of inclusion of his name in the databank, failing which, his name shall stand removed from the databank of the institute. Rules have further provision for exemption from this test based on the certain conditions which will be duly calculated and notified to the empanelled Independent Directors well ahead of the test is made available on the databank.

This online proficiency self-assessment test is to be based on multiple – choice questions, covering all the areas relevant to the functioning of Independent Directors, such as Companies Act, Securities Law, Basic Accountancy and Board Practice related topics. The qualifying percentage for online proficiency self-assessment test is 60% pass marks. The performance of those taking the test, have to be disclosed by the company in their 'Annual Report'.

IDs who have served 10 years or more as a director/ Key managerial personnel are exempted from proficiency test and can be directly enrolled in the ID list.

The registration process has been specifically designed to be simple, and is divided into three simple steps:

- i. Log in through the user account on the Website of the Ministry
- ii. Upon 'log in', the user will be directed to the Databank
- iii. Choose one of the 'Subscription Plans' to access the e-proficiency assessment modules:

A. Register/Login to MCA Portal @ www.mca.gov.in

- Go to "ID Databank Registration" section under "MCA Services" and click on "Individual Registration"
- Enter DIN/PAN/Passport details and click on "Submit"
- Enter email ID, mobile No., and country-code and click on "Send OTP"
- Enter OTP & click on "Verify OTP"

B. Redirect to Independent Directors Databank

- Use the login credentials shared on your email and/or mobile number

- Login to view your profile page
- Share more details:
 - Educational, Professional, and Directorship/Key Managerial/limited liability partnership experience information (not already available with MCA21)

C. Select your privacy options and review your profile

- Select Subscription Plan and Pay Fee to complete the empanelment process
- Download the invoice and registration certificate for future reference

D. Explore options for online proficiency self-assessment test

- Take a mock (practice) test
- Book slot for the test
- Learn about test requirement and process from help guide and video

IMPORTANT DATES

- Start date for empanelment / registration of ID's and companies: **December 01, 2019**
- End Date for empanelment of existing Independent Directors: **February 29, 2020**
- Start date for slot booking for online proficiency self assessment test: **December 02, 2019**
- Start date for Mock (Practice) Test: **December 02, 2019 onwards**
- Start date for online proficiency self-assessment test: **March 01, 2020**
- Start date for corporate access and search facility: **March 01, 2020**

As per the notified rules, all existing Independent Directors are required to register themselves in the databank within 3 months from 01 December 2019. They are also required to pass a basic online proficiency self-assessment test, which will be available from March 2020 onwards, within 12 months thereafter. The Databank is expected to become a comprehensive repository of both existing independent directors as well as individuals eligible and willing to be appointed as Independent Directors.

Corporate Access to Data Bank

The Independent Director's Databank contains names, addresses, and qualifications of persons who are eligible and willing to act as Independent Directors. Databank of Independent Directors aims to provide single-point access to the corporates to search Independent Directors as per their needs and criteria.

Mandatory Requirement

To register your company on the Independent Director's Databank, you should first register on www.mca.gov.in

- Go to "ID Databank Registration" section under "MCA Services" and click on "Corporate Registration"
- Redirected to Independent Director's Databank
- Access and search the profiles of Independent Directors by using several options Shortlist and download profiles
- Carry your own diligence while selecting and appointing independent directors from the databank

Role of Institute of Directors (IOD)

IOD, is the sole and a 'not for profit' membership based organisation, called the Institute of Directors', in India. Over the past 28 years, it has built a substantial outreach to the top Public and private sector organisations, specially the listed companies. The IOD membership equips one with a range of resources, information, professional expertise and networking opportunities.

IOD has a number of regional offices across pan India, and few global centres to offer platforms to the corporates for learning, networking, and exchange of ideas and to explore business collaborations. Over the years, it has also signed a number of MoUs with likeminded institutions and associations, to further advance its agenda and also for working together.

Today's globally competitive market & business environment demand world-class professionals as directors. The IOD pioneered 'Directors' Education' has been a huge leap forward in this regard. Having trained more than 5000 directors, IOD conducts over 40 training courses annually which help in accelerating the development of independent directors for effective and diverse leadership. The condensed 'Masterclass' training for Directors, a 3 day certified programme started in the year 2003, helps in understanding of directors role, responsibilities, and corporate legal liabilities, to manage stakeholder expectations and stay resilient.

Another prime initiative of IOD has been the institution of the Golden peacock awards in 15 different corporate functional verticals that are a benchmark of corporate excellence attracting more than 1000 applications annually. The annual institutional awards have meticulously defined & transparent evaluation criteria.

IOD has also set up a special Division called 'Organization for Non-Executive Independent Directors' (ONEID), to help and support in indentifying suitable, qualified and trained professionals to meet the corporate demands of Independent Directors. For the last five years, it was lobbying for setting up an official databank as a portal for Independent Directors placement. ONEID started maintaining its own panel of suitable qualified Independent Directors for Corporate Boards. It has a rich databank of male and female 'Board- Ready' personnel who are qualified, eligible and willing to be Independent Directors, covering major industries to meet corporate requirements today.

IOD as 'Strategic Knowledge Partner' with IICA

In landmark collaboration on the November 25, 2019, 'The Institute of Directors' signed an agreement with The 'Indian Institute of Corporate Affairs', Ministry of Corporate Affairs, Government of India forming a

strategic alliance as 'Knowledge Partner', for skills development of Independent Directors. The 'Strategic Partnership' broadly encompasses initiatives in the areas of Advocacy, Research and case-studies, capacity building by learning, and self-assessment for basic and advance level tests for continued professional development of Independent Directors. It will include conduct of sensitisation and advocacy workshops/ seminars/ national and international conferences for Independent and Women Directors.

IOD and IICA are to have joint programmes for the professional development of Independent Directors, broadly with following initiatives:

- Advocacy
- Research & Case Studies
- Capacity Building
- Self-Assessment for the continued professional development of ID's

IOD and IICA as 'Strategic Partners' have decided to jointly work on the following main key Interest areas of Independent Directors, to support MCA's vision of good Corporate Governance:

- Sharing selective research papers, research reports and case studies.
- Development of India Centric case studies
- Development of the MOOCS / Advanced test on contemporary issues for e learning space
- Conducting face to face capacity building workshops at IOD- and / or IICA/any other location as agreed between the institutions
- Conducting sensitisation and advocacy workshops / seminars / national conferences for Independent and women directors
- Providing support on 'Self-Assessment Question Bank' Development
- Development of Advanced / Case Study Modules for further upgradation of the ID databank Portal
- Any other area/ activity that both the institutions may agree to collaborate from time to time

IOD is thus now, a strategic 'Knowledge Partner' to this new initiative of Ministry of Corporate Affairs i.e. 'Independent Director's Databank Portal'. The Databank is a pioneering initiative of the Ministry of Corporate Affairs to provide an easy access to navigate platform for the registration of existing Independent Directors, as well as individuals aspiring to become Independent Directors. ■

Compiled by
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