

Note on Independent Director Registration on ID Data Bank (Online Proficiency Test)

✚ **Section 150** of the Companies Act, 2013 provides that “an independent director can be selected from a data bank maintained by any-body, institute or association, as may be notified by the Central Government. The data bank would contain names, addresses and qualifications of persons who are eligible and willing to act as independent directors. The company needs to ensure exercise of due diligence before selecting an independent director from the data bank”

✚ **The Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019 effective from 1st December, 2019** require the existing Independent Directors as well as the professionals aspiring to become independent directors, **to apply online to IICA for inclusion of their name with the Independent Directors Databank** for a period of one year or five years or for his life-time, and from time to time take steps as specified in sub-rule (2), till he continues to hold the office of an independent director in any company:

Upon registration the individuals are required to pass a online proficiency self-assessment test within a period of 2 year from the date of inclusion of his name in the data bank, failing which, his name shall stand removed from the databank of the institute.

✚ **Rules are applicable to:** Every Individual-

- 1) Who has been already appointed as an Independent Director in a company;
- 2) Who intends to get appointed as an Independent Director in a company.

✚ **Exemption from passing online proficiency self-assessment test has been granted to individuals:**

An individual shall **not be required to pass** the online proficiency self-assessment test when **he has served for a total period of not less than three years** as on the date of inclusion of his name in the data bank,-

(A) as a director or key managerial personnel, as on the date of inclusion of his name in the databank, in one or more of the following, namely:-

- (a) listed public company; or
- (b) unlisted public company having a paid-up share capital of rupees ten crore or more; or
- (c) body corporate listed on any recognized stock exchange or in a country which is a member State of the Financial Action Task Force on Money Laundering and the regulator of the securities

market in such member State is a member of the International Organization of Securities Commissions; or

(d) bodies corporate incorporated outside India having a paid-up share capital of US\$ 2 million or more; or

(e) statutory corporations set up under an Act of Parliament or any State Legislature carrying on commercial activities; or

(B) in the pay scale of Director or equivalent or above in any Ministry or Department, of the Central Government or any State Government, and having experience in handling,—

C) in the pay scale of Chief General Manager or above in the Securities and Exchange Board or the Reserve Bank of India or the Insurance Regulatory and Development Authority of India or the Pension Fund Regulatory and Development Authority and having experience in handling the matters relating to corporate laws or securities laws or economic laws :

Provided also that the following individuals, who are or have been, for at least ten years :—

(A) an advocate of a court; or

(B) in practice as a chartered accountant; or

(C) in practice as a cost accountant; or

(D) in practice as a company secretary, shall not be required to pass the online proficiency self-assessment test.

PROCESS OF REGISTRATION:

We will do the needful Registration and provide guidance to you on the registration process, whenever you required;

FEATURE OF REGISTRATION:-

- The test will broadly be based on relevant topics on functioning of an individuals acting as independent directors and Competence in Companies Law, Securities Law, Basic Accountancy and Corporate Governance. The real picture will come out only when the first such test will be conducted. However candidates may get in touch with IICA for the same.
- Pay the prescribed fees (there is a fee for inclusion of name with the databank. As per the Rule 3(7), the institute, with the prior approval of the Central Government has fixed fees for individual registration as below)
 - a. Rs. 5,000 + 18% GST for 1 Year subscription
 - b. Rs. 15,000 + 18% GST for 5 Years subscription
 - c. Rs. 25,000 + 18% GST for Lifetime subscription.

Reference link: <https://www.independentdirectorsdatabank.in/faq>
