

**Explanatory Note to the draft International Financial Services Centres Authority  
(Amendment) Bill, 2026 for Variable Capital Companies**

**A. Introduction**

Fund management in the International Financial Services Centre (IFSC) in India, has largely evolved within trust structures, while limited liability partnerships and companies continue to be sparingly adopted. Each of these structures serves as an adaptation rather than a framework made exclusively for fund management activity.

Critical features, such as, segregation of assets and liabilities of different funds, flexibility in alteration of capital, efficient mechanism for participation and exit of investors, payout of dividend through capital, incorporation of varied investment strategies within one structure, are conspicuously absent in the aforesaid legal structures, and are introduced either through specific regulations or adopted contractually, to make them suitable for the business of fund management. These structures do not provide a bespoke legal framework for fund management. As of December 31<sup>st</sup> 2025, the schemes launched by fund management entities in IFSC have garnered cumulative commitment of USD 32.13 billion and the cumulative funds raised stand at USD 17.34 billion. The growth of the fund management industry in IFSC demonstrates the need for a tailored legal framework.

Variable Capital Company (VCC) is a structure that subsumes the aforesaid features, combining the benefits of trusts, limited liability partnerships and companies, and limits their disadvantages. VCC is emerging as a preferred option in various jurisdictions across the globe, including, Singapore, United Kingdom, Luxembourg, Mauritius, Hong Kong and so on. Consequently, VCC is proposed to be introduced in the IFSC.

**B. Consultation**

The International Financial Services Centres Authority (IFSCA) constituted an Expert Committee under the chairmanship of Dr. KP Krishnan to examine the relevance and adaptability of the VCC in the IFSC in India, which submitted its report on May 26, 2021. Subsequently, IFSCA constituted another Expert Committee under the chairmanship of Dr. MS Sahoo for drafting a legal framework for allowing VCC structure in the IFSCs, which submitted the report on October 12, 2022.

The Government recognised the need to provide a legal framework for governance of VCC in IFSC. Accordingly, the Hon'ble Finance Minister made the announcement in the budget for FY 2024-25, '*We will seek the required legislative approval for providing an efficient and flexible mode for financing leasing of aircrafts and ships, and pooled funds of private equity through a 'variable company structure'.*'. In the above context, the Ministry of Finance has prepared a draft International Financial Services Centres Authority (Amendment) Bill, 2026 (Bill) for introducing and governing the structure of VCC in IFSC.

While preparing the draft, relevant legislations in Singapore, Ireland, the United Kingdom, Mauritius, and Luxembourg have also been examined in detail.

### **C. Drafting practices**

The Bill lays down the foundational principles governing the legal structure of the VCC, while matters relating to business governance and procedural aspects are proposed to be addressed through delegated legislation. This drafting approach has been consciously adopted to facilitate smooth operationalisation of the VCC framework, recognising that, as a novel structure, it may require flexibility and expeditious regulatory adjustments in response to evolving market and operational needs.

Given that the VCC is a hybrid structure drawing selectively from both trust and corporate models, certain provisions take inspiration from the Companies Act, 2013. However, these references are calibrated and shall be suitably adapted through delegated legislation to ensure a simplified and proportionate framework tailored for VCCs, without replicating the compliance intensity.

The Bill has been drafted in a plain and simple language. It uses illustrations where necessary to further clarify the intent of a section. This explanatory note provides a brief overview of the Bill to facilitate public consultation.

### **D. Disclaimer**

This explanatory note is intended to facilitate public consultation. It is not a part of the Bill. The explanatory note shall not be considered for legal interpretation of the provisions of the Bill.

### **E. Summary of the Bill**

#### **Structure of Variable Capital Companies**

VCC is a body corporate and is a separate legal entity. It has the capacity to contract, sue and be sued in its own name, have perpetual succession and liability of its members is limited. It operates through a two-tier structure, with VCC as the first tier and one or more sub-funds being constituted under it.

The funds shall be pooled at the sub-fund level and not at VCC level. No asset, liability, income or expenditure shall be held to the account of VCC, and shall be either attributed to a particular sub-fund or apportioned amongst multiple sub-funds.

VCC can have structural arrangements in the nature of holding and subsidiary. For certain classes of holding VCCs, regulations may specify restrictions on the number of permissible layers of subsidiaries.

## **Sub-fund**

Sub-funds shall be constituted under VCC and shall not be a separate legal entity. Accordingly, VCC shall execute contracts for and on behalf of its sub-funds. Sub-funds shall be launched by a fund management entity, akin to schemes or funds as prevalent under extant fund management regime in IFSC. Subject to regulations, sub-funds can be of various kinds and may be converted into other kinds of sub-funds.

The assets and liabilities of sub-funds shall be segregated and assets of one sub-fund should not be used for meeting the liability of another, including in the course of winding up the VCC or another sub-fund. Obligations arising on account of insolvency proceedings or litigation against one sub-fund of a VCC, should not cast liability against the other sub-fund of such VCC. Each sub-fund shall be treated as a separate person for the purpose of taxation.

A sub-fund may invest in another sub-fund of the same VCC. Such cross sub-fund investment shall not be treated as a buy-back, even though the VCC purchases its own participating shares from one sub-fund on behalf of another sub-fund.

## **Incorporation**

A separate Registrar shall be designated for the purpose of VCC by IFSCA, who shall be an officer of IFSCA.

Any person can incorporate a VCC by filing an application along with requisite documents including charter documents with the Registrar. The charter documents shall be confidential and not be available for public inspection.

## **Capital**

Capital can be issued in the form of management shares, participating shares and debentures.

Management share capital shall be issued at the VCC level to the persons who incorporate the VCC or subscribe to the memorandum, who control the VCC or to whom the management shares may be transferred. Management share capital cannot be redeemed but can be bought back and shall have restricted transferability. Management shares shall carry only voting rights and no economic rights, unless otherwise specified in the regulations. However, a management shareholder may derive economic benefits only by investing in participating share capital. The vote of a management shareholder shall be in proportion to the paid-up value of the management shares held by such person.

Participating share capital shall be issued at sub-fund level to the investors, wherein an investor can be any person who pools money in the sub-fund, including a management shareholder. Various class and sub-class of participating shares can be issued under a single sub-fund,

facilitating creation of different rights within the same sub-fund. Participating share capital can be altered as frequently as in the case of an open-ended fund, subject to regulations, investment strategy of the sub-fund and without prejudice to the interest of participating shareholders of such sub-fund. Participating share capital shall carry economic rights and limited voting rights only in case of variation of rights. The vote of a participating shareholder shall be in proportion to its share in the net asset value of the participating share capital of the sub-fund, however, differential voting rights are allowed. Dividend can be paid out of profits or paid-up participating share capital.

Redeemable debentures can be issued by VCC on behalf of a sub-fund, wherein debentures shall not carry voting rights. Additionally, a VCC can also borrow funds for the purposes of sub-funds.

### **Governance**

The governance matrix of VCC shall predominantly include, management shareholders, board of directors, fund management entity, fund manager, and compliance officer.

There shall be a common board of directors at the VCC level for all sub-funds, and the directors shall be appointed by the management shareholders. The board of directors shall be akin to fiduciaries under the extant fund management regime in the IFSC.

The board of directors of VCC shall pass a resolution to appoint a fund management entity as well as the fund manager. The fund management entity shall be registered with IFSCA as per extant legal framework. The fund manager shall be an officer of the fund management entity and will perform such functions as may be necessary for managing funds of the VCC. The fund manager shall be designated as key managerial personnel for the VCC for clear allocation of responsibility. The fund manager along with the fund management entity shall be collectively responsible for carrying the fund management activities for a VCC and shall be accountable to the members and the board of directors of VCC. Separate fund managers may also be appointed or designated for each of the sub-funds, if required.

A compliance officer shall be appointed or designated at the VCC level for legal compliance and investor grievance redressal. In order to keep the administrative cost low, there is no embargo in designating the officer of a fund management entity as the compliance officer or fund manager of a VCC, provided such officers meet the criteria as may be provided by IFSCA in the regulations.

Critical corporate governance norms are provided in order to ensure that the interests of investors are adequately protected, details of which shall be provided in the regulations. To avoid complex structures, a framework is provided to restrict the number of layers of VCCs or sub-funds through which investments may be made.

### **Confidentiality**

Confidentiality of information associated with VCC, sub-funds and the investors is a crucial aspect of VCC and such information can only be disclosed in accordance with regulations.

### **Management and administration**

The management and administrative requirements shall be set out through regulations. Anchors are provided for critical corporate governance norms, including disclosure of beneficial interest, beneficial ownership and significant beneficial ownership.

### **Financial statements, audit and valuation**

Norms governing financial reporting and audit requirements shall be set out through regulations. Specific anchors have been provided for maintenance of books of accounts, financial statements and annual returns of the VCC and its sub-funds, and for the appointment of an auditor. IFSCA may notify the valuer who may be eligible for conducting valuation required for a VCC.

### **Adjudication and appeal**

The power of the National Company Law Tribunal (NCLT) to adjudicate is limited to specific matters and its jurisdiction shall be limited only to such cases. The NCLT shall exercise its powers in accordance with the relevant provisions of the Companies Act, 2013. However, the Central Government shall prescribe the conditions, form and manner, and fee for the application to be made to the NCLT.

The appeal against the orders of the NCLT shall lie with the National Company Law Appellate Tribunal, and thereafter to the Supreme Court on questions of law.

### **Compromise and arrangements**

VCCs can enter into compromises and arrangements with its creditors or members. These arrangements are under the oversight of the National Company Law Tribunal. In contrast, merger and amalgamation between two or more sub-funds or a holding VCC and its wholly-owned subsidiary shall be under the supervision of IFSCA.

### **Winding up, insolvency, and removal of name from the register**

Subject to rules made by the Central Government, IFSCA is empowered to initiate the winding-up of VCCs and sub-funds in non-insolvency situations, and recourse to the National Company Law Tribunal is limited to specified circumstances, including public interest concerns, fraud, or threats to sovereignty or security.

Sub-funds may be wound up solely by IFSCA in non-insolvency situations to allow timely and orderly exits at the sub-fund level, while reserving judicial oversight for situations warranting heightened scrutiny, as stated above.

In case of defaults in payment of debt the application of the Insolvency and Bankruptcy Code, 2016 may trigger and for this purpose the VCC and its sub-funds shall be notified as financial service providers. Further, the Registrar may, on its own or on an application made by the VCC, remove the name of the VCC from the register and dissolve it.

	<p>THE INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY (AMENDMENT) BILL, 202[X]</p> <p>A BILL</p>	
	<p><i>further to amend the International Financial Services Centres Authority Act, 2019</i></p> <p>Be it enacted by Parliament in the [X] Year of the Republic of India as follows:—</p>	
	1. (1) This Act may be called the International Financial Services Centres Authority (Amendment) Act, 202[X].	Short title and commencement.
	(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:	
	Provided that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.	
50 of 2019.	2. In Chapter III of the International Financial Services Centres Authority Act, 2019 (hereinafter, “the principal Act”), the following Chapter shall be inserted, namely:—	Insertion of new Chapter III-A.
	<p><b>“Chapter III-A</b></p> <p><b>VARIABLE CAPITAL COMPANIES</b></p>	
	<b>13A.</b> (1) In this chapter, unless the context otherwise requires,—	Definitions.
	(a) “articles” means the articles of association of a variable capital company, as originally framed or altered from time to time or applied in pursuance of this Chapter;	
	(b) “beneficial interest” in relation to a share of variable capital company includes, directly or indirectly, through any contract, arrangement or otherwise, the right or entitlement of a person alone or together with any other person, to exercise or cause to be exercised, any or all of the rights attached to such share, including the right to receive dividend or other distribution, if any;	
	(c) “beneficial owner” means a person who holds or acquires beneficial interest in a share of a variable capital company, wherein, such share is not registered in his name;	
	(d) “Board” in relation to a variable capital company, means the collective body of the directors of the variable capital company;	
	(e) “body corporate” includes such entities, whether incorporated within India or outside India, as may be specified by regulations;	
	(f) “charge” means an interest or lien created on the property or assets of a variable capital company as security;	

	(g) “compliance officer” means such officer appointed or designated under sub-section (7) of section 13W;	
	(h) “debenture” means an instrument issued by a variable capital company evidencing a debt, whether constituting a charge on the assets of the variable capital company or not;	
	(i) “director” means a director appointed to the Board of the variable capital company;	
	(j) “fund management entity” means such entity registered with the Authority as a fund management entity in the manner specified by regulations;	
	(k) “fund manager” means any individual who is appointed or designated by the fund management entity to manage investments made by the variable capital company on behalf of its sub-funds;	
	(l) “holding variable capital company”, in relation to one or more variable capital companies, means a variable capital company of which such variable capital companies are subsidiaries;	
	<i>Explanation.</i> — For the purposes of this clause, the expression “variable capital company” includes any body corporate;	
	(m) “key managerial personnel”, in relation to variable capital company means,—	
	(i) fund manager; and	
	(ii) such other persons as may be specified by regulations;	
	(n) “management shareholder” means a person incorporating the variable capital company or a subscriber to the memorandum of the variable capital company or any other person in control of the variable capital company or any other person to whom such management shares are transferred,	
	<i>Explanation.</i> — In case of fund management entity and the fund manager appointed by such fund management entity, only the fund management entity shall be eligible to hold management shares;	
	(o) “memorandum” means the memorandum of association of a variable capital company as originally framed or as altered from time to time in pursuance of this Chapter;	
	(p) “member”, in relation to a variable capital company, means,—	
	(i) a subscriber to the memorandum, who shall be deemed to have agreed to become member of the variable capital company, and on its registration, shall be entered as member in its register of members;	
	(ii) every other person who agrees in writing to become a member of the variable capital company and whose name is entered in the register of members of the variable capital company; and	
	(iii) such other person as may be specified by regulations;	
	(q) “participating shareholder” means,—	

	(i) a person, other than management shareholder, who has subscribed to or acquired participating shares in the sub-fund of the variable capital company; and	
	(ii) such management shareholder, who either voluntarily holds or is required to hold participating shares in the sub-fund of the variable capital company, in accordance with such conditions and such manner as may be specified by regulations;	
	(r) "Registrar" or "Registrar of variable capital companies" means a Registrar, an Additional Registrar, a Joint Registrar, a Deputy Registrar or an Assistant Registrar, as may be appointed or designated by the Authority by notification;	
	(s) "related party" means a director or his relative, key managerial personnel or his relative or such other person as may be specified by regulations;	
	(t) "relative" means any person related to another in such manner as may be specified by regulations;	
	(u) "significant beneficial owner" shall mean any individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India, holds beneficial interest of not less than ten per cent or such other higher or lower percentage as may be specified by regulations, in shares of a variable capital company or its sub-fund, or the right to exercise or the actual exercising of significant influence or control over the variable capital company or its sub-fund,	
	<i>Explanation.</i> — For the purpose of this clause, "significant influence" means the power to participate, directly or indirectly, in the financial and operating policy decisions of the variable capital company, but is not in control or joint control of those policies;	
	(v) "subsidiary", in relation to any other variable capital company, that is to say the holding variable capital company, means a variable capital company in which the holding variable capital company,—	
	(i) controls the composition of the Board; or	
	(ii) exercises or controls more than one-half of the total voting power exercisable by the management shareholders, either at its own or together with one or more of its subsidiaries:	
	Provided that such class or classes of holding variable capital company, as may be specified by regulations, shall not have layers of subsidiaries beyond such numbers, as may be specified by regulations,	
	<i>Explanation.</i> — For the purposes of this clause,—	
	(a) a variable capital company shall be deemed to be a subsidiary of the holding variable capital company even if the control referred to in sub-clause (i) or sub-clause (ii) is	

	of another subsidiary of the holding variable capital company;	
	(b) the composition of a variable capital company's Board shall be deemed to be controlled by another variable capital company if that other variable capital company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;	
	(c) the expression "variable capital company" includes any body corporate; and	
	(d) "layer" in relation to a holding variable capital company means its subsidiary or subsidiaries;	
	(w) "sub-fund" means a scheme or fund that is constituted under a variable capital company and launched as such under section 13L of this Act,	
	<i>Explanation.</i> — For the purpose of this Chapter, a scheme or a fund shall be in the nature of an investment fund;	
	(x) "National Company Law Tribunal" for the purposes of this Chapter, means the National Company Law Tribunal constituted under section 408 of the Companies Act, 2013;	
	(y) "valuer" means a person, as may be notified by the Authority, who shall conduct valuation under this Chapter;	
	(z) "Variable capital company" means a body corporate referred to in section 13B and incorporated as such under section 13E.	
18 of 2013.	(2) In the context of provisions of Companies Act, 2013 referred to in this Chapter, following words and phrases used therein shall have the meanings assigned to them below,—	
	(i) "company" or "company limited by shares" shall be construed as a reference to "variable capital company";	
18 of 2013.	(ii) "control" shall have the meaning assigned to it in sub-section (27) of section (2) of the Companies Act, 2013;	
	(iii) "Registrar" shall be construed as a reference to "Registrar of variable capital companies"; and	
	(iv) "this Act" shall mean "this chapter of the Act, rules and regulations hereunder".	
	<b>13B.</b> A variable capital company,—	Variable Capital Company.
	(a) shall, from the date of incorporation, be a body corporate having perpetual succession, with power to acquire, hold and dispose of property, to contract and to sue and be sued, in its name and/or on behalf of its sub-funds, and the liability of the members of the variable capital company shall be limited to the amount unpaid on their shares, if any;	
	(b) shall have one or more sub-funds;	
	(c) shall, as its main object, carry on the business of investment of funds through its sub-funds, or any other business as may be	

	notified by the Central Government, and may carry on such other objects, as are ancillary to the main object; and	
	(d) may alter participating share capital at any time as per the investment strategy of each sub-fund, wherein such alteration shall not be disadvantageous to the participating shareholders of such sub-fund.	
	<i>Illustration.</i>	
	<i>A variable capital company has launched sub-fund A. As per the investment strategy of sub-fund A, the fully paid-up participating share capital of sub-fund A can be altered by several ways including, further issuance, conversion, buy-back and redemption, without obtaining prior approval of the members of sub-fund A. Further, at any time, the variable capital company can issue and buy-back fully paid-up participating shares at its discretion and redeem or convert the same at the discretion of the investors. On January 1, 2025, variable capital company issued 50,000 class A1 participating shares under sub-fund A, of which 10,000 were subscribed by Investor X. On January 2, 2025, variable capital company further issued 50,000 class A2 participating shares under sub-fund A. On January 3, 2025, Investor X raised a request to redeem 5,000 class A1 participating shares and convert remaining class A1 participating shares into class A2 participating shares. The variable capital company honoured the request by redeeming and converting the said shares at the prevailing net asset value. Further, on May 1, 2025, variable capital company bought back remaining classes A1 and A2 participating shares at the prevailing net asset value.</i>	
	<b>13C.</b> (1) A sub-fund of a variable capital company is not a legal person separate from the variable capital company:	Sub-fund.
	Provided that,—	
	(a) assets and liabilities of sub-funds shall stand segregated such that,—	
	(i) the assets of a sub-fund cannot be used to discharge any liability of the variable capital company that is not allocated or apportioned to such sub-fund under subsection (3), including in the winding up of either the variable capital company or any other sub-fund; and	
	(ii) any liability of a sub-fund, including any liability that is allocated or apportioned to such sub-fund under subsection (3), shall be discharged solely out of the assets of that sub-fund, including in the winding up of the variable capital company or any other sub-fund;	
	(b) sub-fund may sue or be sued through its variable capital company and a variable capital company may exercise rights of set-off, if any, as between its sub-funds as if each sub-fund were a separate legal person;	

	(c) the property of a sub-fund is subject to orders of a tribunal, a court, the Central Government, the Authority including the Registrar, or any other authority constituted under any other law for the time being in force, as the case may be, as it would have been if the sub-fund were a separate person; and	
	(d) each sub-fund shall be treated as a separate person for the purposes of taxation.	
	<i>Illustration.</i>	
	<i>A variable capital company executed a loan agreement on behalf of sub-funds A and B, pursuant to which it borrowed an amount of USD 100,000 for each of the sub-funds. However, no borrowing was made for the purpose of sub-fund C. In order to repay the said borrowings made on behalf of sub-fund A and B, assets of sub-fund C cannot be utilised. Further, in order to repay the borrowing allocated to sub-fund A, only the assets of sub-fund A can be utilised. For avoidance of doubt, assets of sub-fund B cannot be utilised for repayment of loan availed on behalf of sub-fund A.</i>	
	(2) A variable capital company shall make such disclosures and take such actions, as may be specified by regulations, to maintain the segregation of assets and liabilities of its sub-funds.	
	(3) A variable capital company shall,—	
	(a) allocate any of its incomes, expenses, assets or liabilities that it holds or incurs for the purpose of any of its sub-funds or in order to enable the operation of any of its sub-funds and that are attributable to a sub-fund, to such sub-fund; and	
	(b) apportion any of its incomes, expenses, assets, or liabilities, that are not attributable to any particular sub-fund, amongst all sub-funds in a manner that it considers fair to the members of the sub-funds, subject to such requirements as may be specified by regulations.	
	(4) Notwithstanding anything contained in sub-section (3) of section 13S, a variable capital company may, for the account of any of its sub-funds, acquire by subscription or transfer for consideration, participating shares of any class or sub-class that are issued in respect of other sub-funds of the same variable capital company, in accordance with such conditions and such manner as may be specified by regulations.	
	<b>13D.</b> (1) The Registrar shall register the variable capital company and exercise such other powers and discharge such other functions as are conferred on the Registrar under this Chapter or rules or regulations made thereunder.	Registrar of variable capital companies.

	Provided that any order of the Registrar passed in exercise of powers and discharge of functions under this Chapter shall be deemed to be an order passed by the Authority.	
	(2) The terms and conditions of service, including the salaries payable to the Registrar, shall be such as may be specified by regulations.	
	<b>13E.</b> (1) An application seeking incorporation of a variable capital company shall be filed with the Registrar, along with the memorandum, articles, and such other information and documents, in such form, such manner and subject to such requirements, as may be specified by regulations.	Incorporation of variable capital company.
	(2) The Registrar, on being satisfied that the requirements mentioned in sub-section (1) have been complied with, shall issue a certificate of incorporation in such form and such manner, as may be specified by regulations.	
	(3) A variable capital company may be formed by one or more persons by subscribing their names to a memorandum and complying with the requirements under this Chapter and the regulations made thereunder.	
	<b>13F.</b> (1) The memorandum of a variable capital company shall state,—	Memorandum.
	(a) the name of the variable capital company, shall have the suffix “VCC (IFSC) Ltd.” in its name;	
	(b) the International Financial Services Centre, in which the registered office of the variable capital company is to be situated;	
	(c) the main object in accordance with clause (c) of sub-section (1) of section 13B and such other objects as are ancillary to the main object;	
	(d) that the liability of its members is limited to the amount unpaid, if any, on the shares held by them;	
	(e) the amount of management share capital with which the variable capital company is to be registered and the division thereof into management shares of a fixed amount, and the number of management shares which the subscribers to the memorandum agree to subscribe, which shall not be less than one management share;	
	(f) the number of management shares each subscriber to the memorandum intends to take, indicated opposite his name; and	
	(g) such other matters as may be specified by regulations.	
	(2) The memorandum shall be in such form and its copies may be provided to such persons in such manner, as may be specified by regulations.	
	<b>13G.</b> (1) The articles of a variable capital company shall contain bye-laws for management of the variable capital company and such other matters, as may be specified by regulations:	Articles.

	Provided that nothing contained in this sub-section shall be deemed to prevent a variable capital company from including such additional matters in its articles as may be considered necessary for its management.	
	(2) The articles may contain provisions for entrenchment to the effect that specific provisions of the articles may be altered, only if conditions or procedures that are more restrictive than those applicable under section 13H, are met or complied with.	
	(3) The articles shall be in such form and its copies may be provided to such persons in such manner, as may be specified by regulations:	
	Provided that a variable capital company may adopt all or any of the bye-laws contained in the model articles, as may be specified by regulations:	
	Provided further that in so far as the registered articles of such variable capital company do not exclude or modify the bye-laws contained in the specified model articles, those bye-laws shall, so far as applicable, be the bye-laws of that variable capital company in the same manner and to the extent as if they were contained in the duly registered articles of the variable capital company.	
	<b>13H.</b> A variable capital company may alter the provisions of memorandum and articles, with the consent of the members, holding not less than three-fourth of the management share capital, and in accordance with such other conditions and such manner as may be specified by regulations:	Alteration of memorandum and articles.
	Provided that where such alteration of memorandum or articles results in variation of rights of participating shareholders, sub-section (3) of section 13O shall apply.	
	<b>13I.</b> (1) Save as otherwise expressly provided in this Act,—	Act to override memorandum, articles, etc.
	(a) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in the memorandum or articles of a variable capital company, or in any agreement executed by it, or in any resolution passed by the variable capital company in general meeting or by its Board, as the case may be; and	
	(b) any provision contained in the memorandum, articles, agreement or resolution shall, to the extent to which it is repugnant to the provisions of this Act, become or be void, as the case may be.	
	<b>13J.</b> (1) Subject to the provisions of this Act, the memorandum and articles shall, when registered, bind the variable capital company and the members thereof to the same extent as if they respectively had been signed by the variable capital company and by each member, and contained covenants on its and his part to observe all the provisions of the memorandum and the articles.	Effect of memorandum and articles.

	(2) All monies payable by any member to the variable capital company under the memorandum or articles shall be a debt due from such member to the variable capital company.	
	<b>13K.</b> (1) A variable capital company shall, at all times, have a registered office in an International Financial Services Centre, in accordance with the conditions as may be specified by regulations.	Registered office of variable capital company.
	(2) The registered office of a variable capital company shall be capable of receiving and acknowledging all communications and notices, as may be addressed to it.	
	(3) The documents, required to be maintained by a variable capital company under this Act, shall be kept at the registered office, in such manner and subject to such conditions, as may be specified by regulations.	
	(4) A variable capital company may change its registered office from one International Financial Services Centre to another, after the date of incorporation, in accordance with such conditions as may be specified by regulations.	
	<b>13L.</b> (1) A variable capital company shall, through the fund management entity, apply to the Authority, for launching of sub-fund, in such manner as may be specified by regulations.	Launch of sub-fund.
	(2) In case of change in information provided to the Authority at the time of launching of sub-fund, a variable capital company shall disclose such change to the Authority within such period and in such manner, as may be specified by regulations.	
	<b>13M.</b> (1) A variable capital company shall launch such kinds of sub-funds or any combination thereof, as may be specified by regulations.	Kinds of sub-funds and conversion.
	(2) Sub-fund of a particular kind may be converted into any other kind of sub-fund, subject to such conditions and in such manner as may be specified by regulations:	
	Provided that the variable capital company shall provide an exit offer to such members of the sub-fund who dissent to such conversion:	
	Provided further that where such conversion results in variation of rights of the members of such sub-fund or any other sub-fund, sub-section (3) of section 13O of this Act shall be applicable:	
	Provided also that such conversion shall not affect any debts, liabilities, obligations or contracts incurred or entered into, on behalf of such sub-fund before conversion and such debts, liabilities, obligations and contracts may be enforced in the manner as if such conversion had not been done.	
18 of 2013.	<b>13N.</b> The provisions of sub-section (1) of section 19 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , to a subsidiary of a holding variable capital company.	Subsidiary not to hold shares in its holding

		variable capital company.
	<b>130.</b> (1) The share capital of variable capital company shall be of two kinds, namely:—	Share capital.
	(a) management share capital; and	
	(b) participating share capital.	
	<i>Explanation.</i> — For the purposes of this Chapter,—	
	(a) “management share capital” means that part of the share capital, which is issued by the variable capital company to the management shareholders, in such form and such manner as may be specified by regulations, wherein management shareholders shall,—	
	(i) have the right to vote in general meeting of members in accordance with sub-section (1) of section 13P;	
	(ii) not have the right to receive dividend;	
	(iii) not have the right to receive refund, including a refund from proceeds of realisation of the assets of the variable capital company, except in accordance with such conditions as may be specified by regulations.	
	Provided that the amount of refund to the management shareholder shall not exceed the amount paid-up in lieu of subscription or purchase of management shares;	
	(iv) not have the right to redemption, but may have restricted right to transfer and limited eligibility for buy-back and reduction of management shares, subject to such conditions and in accordance with such manner as may be specified by regulations; and	
	(v) be entitled to such other rights or comply with such other restrictions, as may be specified by regulations.	
	(b) “participating share capital” means that part of the share capital, which is issued by the variable capital company on behalf of sub-fund, to the participating shareholders, in such form and such manner as may be specified by regulations, wherein participating shareholders,—	
	(i) shall not have the right to vote in a general meeting of members, except as provided in sub-section (2) of Section 13P, which shall be subject to such conditions and such manner as may be specified by regulations;	
	(ii) may receive dividend out of profits or paid-up participating share capital of the relevant sub-fund, in the manner as may be specified by regulations;	
	(iii) may receive refund, including a refund from proceeds of realisation of the assets attributable to a sub-fund, subject to such conditions as may be specified by regulations;	

	(iv) may be entitled to redemption, transfer, buy-back and reduction of the participating shares, in accordance with such conditions and in such manner as may be specified by regulations; and	
	(v) may be entitled to such other rights or comply with such other restrictions, as may be specified by regulations.	
	<i>Illustration.</i>	
	<i>A variable capital company is incorporated with sub-funds A and B. Management shares shall be issued by the variable capital company to: (i) Ms. X, who has incorporated the variable capital company and is a subscriber to the memorandum, and (ii) Y Ltd., which is the fund management entity of the variable capital company. Management shares will not be issued on behalf of the sub-funds A and B but directly by the variable capital company. However, management shareholders Ms. X and Y Ltd. shall manage the affairs of the variable capital company as well as its sub-funds A and B. No dividend shall be payable to management shareholders. In lieu of managing the investments, Y Ltd. will receive management fee only. Ms. X may invest in participating shares issued by sub-funds A and B and shall then be entitled to economic benefits accruing on account of such participating shares held by her. Y Ltd. which is the fund management entity as well as management shareholder may also invest in participating shares issued by sub-funds A and B, subject to regulations and consequently, become entitled to economic benefits attached to such participating shares.</i>	
	(2) A variable capital company may, subject to such conditions as may be specified by regulations, issue different classes of participating shares, corresponding to different rights and interests in sub-funds and may further issue different sub-classes of participating shares corresponding to different rights and interests under each such class.	
	<i>Illustration.</i>	
	<i>A variable capital company has three sub-funds A, B and C. It issued class A1 participating shares to those who wished to acquire rights and interests in sub-fund A, classes B1 and B2 participating shares to those who wished to acquire rights and interests in sub-fund B and classes C1, C2 and C3 participating shares to those who wished to acquire rights and interests in sub-fund C. The variable capital company further issued sub-class A1.1 to those who wished to acquire specific rights and interests in class A1 participating shares, sub-classes B1.1 and B2.1 to those who wished to acquire specific rights and interests in classes B1 and B2 participating shares, respectively, and sub-classes C1.1 and C1.2 to those that wished to acquire specific rights and interests in class C1 participating shares.</i>	
	(3) Where the share capital of a variable capital company is divided into different classes or sub-classes of participating shares, the rights attached to participating shares of any class or sub-class, as the case may be, may be varied with the written consent of the members holding not less than three-fourth of the issued participating shares of that class or sub-class	

	and subject to a requirement to provide an exit offer to a dissenting shareholder and such other conditions, as may be specified by regulations:	
18 of 2013.	Provided that where the holders of not less than fifteen per cent of the issued participating shares of a class or sub-class do not consent to such variation, then provisions of sub-sections (2), (3) and (4) of section 48 of Companies Act, 2013 shall, <i>mutatis mutandis</i> , apply for the purpose of cancellation of variation of rights of the class or sub-class of participating shareholders:	
	Provided further that if variation in rights of one class or sub-class of participating shares affects the rights attached to any other class or sub-class of participating shares, the consent of members holding not less than three-fourth of such other class or sub-class of participating shares, as the case may be, shall also be obtained and the provisions of this section shall apply to such variation.	
	(4) Participating shares of one class or sub-class may be converted into another class or sub-class of participating shares, subject to such conditions as may be specified by regulations:	
	Provided that the variable capital company shall provide exit offer to such members who dissent to such conversion:	
	Provided further that where such conversion results in variation of rights of holders of participating shares of such class or sub-class or any other class or sub-class, sub-section (3) of this section shall apply.	
	(5) Shareholders shall have no interest in the property of the variable capital company.	
	<b>13P.</b> (1) Subject to section 13O, sub-section (3) of section 13Q, voting restrictions specified in the regulations for related party transactions under sub-section (11) of section 13W, such other conditions, and in accordance with such manner, as may be specified by regulations, every member holding management share capital of a variable capital company shall have a right to vote on every resolution placed before the variable capital company and his vote shall be in proportion to his share in the paid-up management share capital of the variable capital company.	Voting rights.
	(2) Every member holding participating share capital attributable to a particular sub-fund of the variable capital company, shall have the right to vote only on such resolutions, which involve variation of rights of such member, including winding up of the variable capital company or the sub-fund to which such participating share capital is attributable, or such other matter as may be specified by regulations, and subject to sub-section (2) of section 13O, his vote shall be in proportion to his share in the net asset value of the participating share capital of the sub-fund.	
	(3) Subject to sub-section (2) of section 13O, the total voting power shall be calculated as an aggregate of paid-up management share capital and aggregate net asset value of the holders of the participating share capital who are entitled to vote.	

	<i>Illustrations.</i>	
	<i>(a) Management shareholders MA and MB hold fully paid-up management shares A and B in the variable capital company, bearing paid-up amount of USD 10,000 each. Participating shareholders PA and PB hold fully paid-up participating shares A1 and B1 in sub-fund A of the variable capital company, bearing net asset value of USD 100,000 each. A resolution is put to vote which involves variation of rights of participating shareholders of sub-fund A. For the purpose of calculating the majority of votes, the total share capital of USD 220,000 will be considered.</i>	
	<i>(b) Management shareholders MA and MB hold fully paid-up management shares A and B in the variable capital company, bearing paid-up amount of USD 10,000 each. Participating shareholders PA and PB hold fully paid-up class A participating shares and class B participating shares within sub-fund A. The vote count of class A participating shares is equivalent to net asset value whereas the vote count for class B participating shares is two times the net asset value. Net asset value for both class A and class B is USD 100,000, respectively. A resolution is put to vote which involves variation of rights of participating shareholders of sub-fund A. For the purpose of calculating the majority of votes, the total share capital of USD 320,000 will be considered.</i>	
	<b>13Q.</b> (1) Where any further calls are made on the participating shares of a class or sub-class, such calls shall be made on a uniform basis on all participating shares falling under that class or sub-class:	Calls on participating shares.
	Provided that a variable capital company may excuse or exclude certain participating shareholders from further investing in the sub-fund, subject to such conditions as may be specified by regulations.	
	(2) A variable capital company may, if so authorised by its articles, accept from any member the whole or part of the amount remaining unpaid on any participating shares held by him, even if no part of that amount has been called up.	
	(3) A member of the variable capital company shall not be entitled to any voting rights in respect of the amount paid by him under sub-section (2) until that amount has been called up.	
	<b>13R.</b> (1) A variable capital company may issue redeemable debentures or borrow money, with an option to convert such debentures or borrowings into shares either wholly or partly, subject to such conditions and in such manner, as may be specified by regulations:	Debentures and borrowings.
	Provided that a variable capital company shall not issue debentures or borrow money for a purpose that is not directly attributable to a sub-fund, without receiving approval of the members, in such manner as may be specified by regulations.	
	(2) A variable capital company shall not issue debentures carrying voting rights.	

	(3) A variable capital company may at the option of the debenture holders redeem the debentures, or buy-back debentures, in such manner and in accordance with such conditions as may be specified by regulations.	
	(4) A variable capital company shall appoint debenture trustee prior to issuance of debentures under sub-section (1), if the appointment is warranted by the conditions as may be specified by regulations, wherein such debenture trustee shall be appointed in accordance with and undertake such roles and responsibilities, as may be specified by regulations.	
	(5) A contract with the variable capital company to take up and pay for any debentures of the variable capital company may be enforced by a decree for specific performance.	
18 of 2013.	<b>13S.</b> (1) In case of failure of the variable capital company to redeem participating share capital or pay dividend, if any, on the participating share capital, as per the terms of the sub-fund, sub-section (3) of section 55 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , to the unredeemed participating share capital and unpaid dividend thereon.	Redemption, reduction and buy-back.
18 of 2013.	(2) In case of failure of the variable capital company to redeem debentures on the date of maturity or to pay interest when it is due, as per the terms of the sub-fund, sub-section (10) of section 71 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , to the unredeemed debentures and unpaid interest thereon.	
	(3) In the event of buy-back or redemption of shares, or reduction of share capital, such shares must be cancelled and the amount of the issued share capital of the variable capital company must be reduced by the amount of the consideration paid by the variable capital company.	
	<b>13T.</b> (1) The shares and debentures of variable capital company shall be movable property.	Transfer and transmission of shares and debentures.
18 of 2013.	(2) If the variable capital company, without sufficient cause, refuses to register the transfer of, or the transmission by operation of law of, the right to any securities or interest of a member in the variable capital company, the transferee may appeal to the National Company Law Tribunal within such period and in such manner as may be prescribed, and sub-section (5) of section 58 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , in respect of order to be made by the National Company Law Tribunal.	
	<b>13U.</b> A variable capital company may list securities on a recognised stock exchange in accordance with such conditions as may be specified by regulations.	Listing.
	<b>13V.</b> (1) A variable capital company may either on its own or on behalf of its sub-funds, create a charge, within or outside India, on its property or assets, if permitted as per its articles:	Charges.
	Provided that where a variable capital company proposes to create a charge to secure a liability that is not directly attributable to a sub-fund, it shall take approval of the members in such manner as may be specified	

	by regulations, and the charge over the assets of a sub-fund shall be limited to cover only such liability that is apportioned to the sub-fund in accordance with sub-section (3) of section 13C.	
	(2) Where a charge is created under sub-section (1), the variable capital company shall register such charge with the Registrar within thirty days of its creation, in such form, upon payment of such fees and in such manner, as may be specified by regulations.	
	(3) Upon receipt of intimation by the Registrar, from the variable capital company or otherwise of the payment or satisfaction in full of any charge registered under sub-section (1), in such form, such manner and within such time period as may be specified by regulations, the Registrar may, after following such procedure, record the modification or satisfaction of charge in the register of charges and inform the affected parties within such period, as may be specified by regulations.	
18 of 2013.	(4) In relation to charges created against property of variable capital company, sections 78, 79, 80, sub-section (1) of section 81 and section 84 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , subject to such form, manner, fee, and other matters, as may be specified by regulations.	
	<b>13W.</b> (1) A variable capital company shall constitute a Board, wherein individuals shall be appointed as directors by the management shareholders in a general meeting of members.	Governance of a variable capital company.
	<i>Illustration.</i>	
	<i>A variable capital company has launched sub-funds A, B and C. Management shareholders, X and Y, who are members of the variable capital company, have appointed Mr. Z and Ms. W as the directors of the variable capital company. Mr. Z and Ms. W shall exercise powers and functions for the benefit of the variable capital company as well as sub-funds A, B and C.</i>	
	(2) The Board shall be entitled to exercise all such powers, and to do all such acts and things, as the variable capital company is authorised to exercise and do:	
	Provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether under this Act or by the memorandum or articles of the variable capital company or otherwise, to be exercised or done by the variable capital company in general meeting of members.	
	(3) The Authority shall specify by regulations, the kind and number of directors to be appointed, their qualifications, fit and proper criteria, duties and powers, code of conduct and obligations, conditions and manner of appointment, resignation, retirement, loss of office, vacation and removal, and any other conditions as the Authority may deem necessary with respect to the Board:	

	<p>Provided that where no provision is made in the articles for the appointment of first director, the subscribers to the memorandum shall be deemed to be the first directors of the variable capital company, until the directors are duly appointed in the general meeting of members in accordance with the regulations.</p>	
	<p>(4) The Board shall pass a resolution for the appointment or designation of the fund management entity and every key managerial personnel of a variable capital company.</p>	
	<p>(5) The Authority shall specify by regulations, the fit and proper criteria, qualifications, duties and powers, code of conduct and obligations, conditions and manner of appointment, designation, resignation, removal, and any other conditions as the Authority may deem necessary with respect to the fund management entity and the key managerial personnel of a variable capital company.</p>	
	<p>(6) Without prejudice to sub-section (5), the fund management entity and the fund manager shall be responsible for management of investments made by the variable capital company on behalf of its sub-funds, and shall at all times act in a fiduciary capacity towards the members of the variable capital company and shall be accountable to the Board.</p>	
	<p>(7) The compliance officer shall be such officer who shall report to the Board, is capable of understanding financial statements and the requirements for legal and regulatory compliance under this Act, shall have such other qualifications and eligibility criteria, shall be appointed or designated, be removed, or resign in such manner and in accordance with such conditions as may be specified by regulations.</p>	
	<p>(8) The compliance officer appointed or designated under sub-section (7) shall be responsible for compliance with all legal and regulatory requirements applicable to the variable capital company, redressal of investor grievances and performance of such other functions as may be specified by regulations.</p>	
	<p>(9) The Board shall call and conduct meetings of the Board and such committees thereof, if any, in such manner as may be specified by regulations.</p>	
	<p>(10) Every director shall make disclosures of such interest, in such form and manner and subject to such conditions, as may be specified by regulations.</p>	
	<p>(11) No variable capital company shall advance any loan or provide any guarantee or security against any loan, in connection with a director, except in accordance with such conditions as may be specified by regulations.</p>	

	(12) No variable capital company shall enter into any contract or arrangement with a related party, except in accordance with such conditions as may be specified by regulations.	
	(13) All investments of the variable capital company shall be made or held by it in its own name and the name of the sub-fund, except in accordance with such conditions as may be specified by regulations.	
	(14) No variable capital company shall make investment through more than such number of layers of such variable capital companies or sub-funds, except in accordance with such conditions and in such manner, as may be specified by regulations.	
	(15) No variable capital company shall enter into an arrangement involving the directors for consideration other than cash, except in accordance with such conditions as may be specified by regulations.	
	(16) Any information pertaining to the variable capital company or its sub-fund, including information related to its shareholders, investments, financial statements or securities in which investment has been made, shall not be disclosed by the Registrar or any other person in possession of such information, except in such circumstances, to such persons and in accordance with such conditions, as may be specified by regulations.	
	<b>13X.</b> (1) A variable capital company shall call meetings of members including annual general meetings, extraordinary general meetings, and such other meetings at such frequency and in such manner as may be specified by regulations.	Management and administration.
	(2) Every variable capital company shall keep and maintain the following registers in such form and manner as may be specified by regulations, namely:—	
	(a) a register of its members containing therein, <i>inter alia</i> , details of beneficial owners;	
	(b) a register of debenture holders;	
	(c) a register of charges; and	
	(d) such other registers, as may be specified by regulations.	
	<i>Explanation.</i> —	
18 of 2013.	(i) For the purposes of rectification of register of members, sub-sections (1), (2) and (3) of section 59 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , subject to such form, manner, and other matters, as may be prescribed.	

	(3) Beneficial interest, beneficial ownership and significant beneficial ownership in a variable capital company shall be disclosed and enforced in such manner, as may be specified by regulations.	
	<b>13Y.</b> (1) A variable capital company shall, for itself and each of its sub-funds, prepare the following records, in such form and such manner as may be specified by regulations:—	Books of accounts, annual returns, financial statements, board reports, etc.
	(a) books of accounts and other relevant books and papers;	
	(b) financial statements, including consolidated financial statements, in accordance with the applicable accounting standards;	
	(c) annual return containing the particulars as they stood on the close of the financial year; and	
	(d) such other documents, as may be specified by regulations.	
	(2) The Board shall prepare a report for the variable capital company and each of its sub-funds, to provide a true and fair view of the operations of the variable capital company and its sub-funds, containing such details as may be specified by regulations.	
	(3) The financial statements of the variable capital company, report of the Board or an abridged summary thereof and other documents prepared pursuant to sub-sections (1) and (2) above, shall be provided to the Authority and such other persons, in such manner and within such time as may be specified by regulations.	
18 of 2013.	(4) A variable capital company shall not re-open its books of accounts and not recast its financial statements, unless an application is made by the Central Government or any other statutory regulatory body or authority or any person concerned, in such form and such manner as may be prescribed, to the National Company Law Tribunal or a court of competent jurisdiction, and the provisions of section 130 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , for the purpose of this sub-section.	
	(5) If it appears to the directors of a variable capital company that the financial statements of the variable capital company or the report of the Board does not comply with the requirements specified in the regulations, they may prepare a revised financial statement or a revised report in respect of any of the three preceding financial years, after obtaining approval of the National Company Law Tribunal in such manner, and subject to such conditions, as may be prescribed.	

	<b>13Z.</b> (1) Every variable capital company shall, at the general meeting of members, appoint an individual or a firm as an auditor, who shall fulfil such eligibility criteria, have such qualifications, hold office for such period, and shall be appointed in such manner and subject to such other conditions as may be specified by regulations.	Audits and auditors.
	(2) The variable capital company shall file a notice of appointment of the auditor with the Registrar in such manner as may be specified by regulations, within thirty days of the meeting in which the auditor is appointed.	
	(3) The Authority shall specify by regulations, the powers, duties, remuneration, and the conditions and manner of removal and resignation of auditors.	
	<b>13ZA.</b> Where a valuation is required for a variable capital company in respect of any, stocks, shares, debentures, securities or any other assets or net worth of sub-funds of a variable capital company or its liabilities under this Chapter, the Board of the variable capital company shall appoint a valuer who shall conduct valuation in such manner and in accordance with such standards as may be specified by regulations.	Valuation.
	<b>13ZB.</b> (1) Where a compromise or arrangement is proposed between,—	Power to compromise or make arrangements with creditors and members.
	(a) a variable capital company and its creditors or any class of them; or	
	(b) a variable capital company and its members or any class or sub-class of them,	
31 of 2016.	the National Company Law Tribunal may, on an application made by the variable capital company or of any creditor or member of the variable capital company, or a liquidator appointed under section 13ZC or under the Insolvency and Bankruptcy Code, 2016, in such manner as may be prescribed, order a meeting of the creditors or class of creditors, or of members or class or sub-class of members, as the case may be, to be called, held and conducted in such manner as the National Company Law Tribunal directs.	
	(2) Where, at the meeting held pursuant to sub-section (1), majority of persons representing three-fourth in value of the creditors, or class of creditors or of members or class or sub-class of members, as the case may be, voting in person or by proxy or by postal ballot, agree to any compromise or arrangement, and if such compromise or arrangement is sanctioned by the National Company Law Tribunal by way of an order,	

	such order shall be binding on the variable capital company, all the creditors, or class of creditors or, members or class or sub-class of members, as the case may be, or in case of a variable capital company being wound up, on the liquidator, and the contributories of the variable capital company:	
	Provided that the National Company Law Tribunal shall not sanction a scheme of compromise or arrangement unless,—	
	(a) the scheme provides an exit offer to any dissenting member if the compromise or arrangement is one proposed under clause (b) of sub-section (1); and	
	(b) the scheme meets such conditions as may be prescribed.	
	(3) If an acquirer, or a person acting in concert with such acquirer, or a person or group of persons acquire such percentage of shares as may be specified by regulations, in accordance with sub-section (1) and sub-section (2) of this section, then such acquirer or person acting in concert with such acquirer or a person or group of persons shall notify the variable capital company of their intention to buy the remaining minority shares of the variable capital company, in such manner and subject to such conditions as may be specified by regulations.	
	(4) Notwithstanding anything contained in this section, a scheme of merger or amalgamation may be entered into between,—	
	(a) two or more sub-funds; or	
	(b) between a holding variable capital company and its wholly-owned subsidiary,	
18 of 2013.	in accordance with section 233 of Companies Act, 2013, which shall apply, <i>mutatis mutandis</i> , to such schemes of merger or amalgamation.	
	<i>Explanation.—</i>	
18 of 2013.	(i) For the purposes of this section, except sub-section (4), sections 231, 232, 234 and 240 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , to a variable capital company, subject to such form, manner, and other matters, as may be prescribed.	
	(ii) For the purposes of this section, the expressions “acquirer” and “person acting in concert” shall mean the variable capital company or such persons as set out under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time.	
18 of 2013.	(iii) For the purposes of sub-section (4), the Authority shall exercise the powers and functions of the Central Government under section 233 of the Companies Act, 2013, in such form and manner as may be prescribed.	

	<b>13ZC.</b> (1) A variable capital company may be wound up by the National Company Law Tribunal, on an application made by the Authority or such persons as may be prescribed, in the following circumstances,—	Winding up of a variable capital company or sub-fund.
	(a) a resolution has been passed by the members, holding not less than three-fourth of the total share capital of the variable capital company, to wind up the variable capital company by the National Company Law Tribunal;	
	(b) the variable capital company has acted against the interests of the sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality;	
	(c) the affairs of the variable capital company have been conducted in a fraudulent manner or the variable capital company was formed for fraudulent and unlawful purpose or the persons concerned in the formation or management of its affairs have been guilty of fraud, misfeasance or misconduct in connection therewith and that it is proper that the variable capital company be wound up;	
	(d) the variable capital company has made a default in filing with the Registrar its financial statements or annual returns for immediately preceding five consecutive financial years; or	
	(e) the National Company Law Tribunal is of the opinion that it is just and equitable that the variable capital company be wound up.	
	(2) The provisions of sub-section (1) shall apply, <i>mutatis mutandis</i> , for the purpose of winding up of a sub-fund by the National Company Law Tribunal.	
	(3) Without prejudice to sub-section (1) and (2), a sub-fund may be wound up by the Authority, in the following circumstances, in such manner as may be specified by regulations,—	
	(a) the tenure of the sub-fund expires;	
	(b) a resolution has been passed by members, holding not less than three-fourth of the share capital issued under such sub-fund;	
	(c) upon occurrence of an event, pursuant to which, the articles of the variable capital company require the sub-fund to be wound up; or	
	(d) upon issuance of direction by the Authority to the fund management entity, to wind up the sub-fund in the interest of shareholders and for orderly development of the financial market.	
	(4) Notwithstanding anything contained under this Chapter or any other law, a sub-fund may be wound up in accordance with this section as if it	

	were a separate variable capital company and a variable capital company shall be wound up after each of its sub-funds has been wound up.	
18 of 2013.	<i>Explanation-</i> For the purpose of winding up of a variable capital company or its sub-funds by the National Company Law Tribunal, sections 273 to 288, 290 to 302, 324, and 326 to 365 of Companies Act, 2013, shall apply, <i>mutatis mutandis</i> , subject to such form, manner, and other matters, as may be prescribed.	
31 of 2016. 31 of 2016.	<b>13ZD.</b> Where any variable capital company on account of its sub-funds commits a default under section 3(12) of the Insolvency and Bankruptcy Code, 2016, the provisions of Insolvency and Bankruptcy Code, 2016 shall apply, in such manner as may be prescribed.	Applicability of Insolvency and Bankruptcy Code, 2016.
	<i>Explanation.—</i> For the purposes of this section,—	
31 of 2016.	(i) a variable capital company and its sub-funds shall be a financial service provider under section 3(17) of the Insolvency and Bankruptcy Code, 2016; and	
	(ii) each sub-fund of a variable capital company shall be treated as a separate legal person.	
	<b>13ZE.</b> The Registrar may, on its own motion, or on an application made by the variable capital company, remove the name of the variable capital company from the register of variable capital companies and dissolve the variable capital company.	Removal of name of the variable capital company from the register.
18 of 2013.	<i>Explanation.—</i> For the purposes of this section, sections 248 to 251 of Companies Act, 2013 shall apply, <i>mutatis mutandis</i> , subject to such form, manner, and other matters, as may be prescribed.	
	<b>13ZF.</b> (1) Without prejudice to the powers and functions of the Authority, where any provision of this Chapter provides for the adjudication of a matter by the National Company Law Tribunal, such matter shall be adjudicated by the National Company Law Tribunal having territorial jurisdiction over the place where the registered office of the variable capital company is located.	Tribunal for adjudication under this Chapter.
18 of 2013.	(2) The National Company Law Tribunal shall exercise all powers conferred under Chapter XXVII of the Companies Act, 2013 for the purposes of adjudicating on any matter arising under the provisions of this Chapter.	
	(3) An application to the National Company Law Tribunal in relation to any matter that may arise under the provisions of this Chapter shall be made in such conditions, form and manner and accompanied with such fee as may be prescribed.	

18 of 2013.  18 of 2013.	<b>13ZG.</b> (1) Notwithstanding anything to the contrary contained under the Companies Act 2013, any person aggrieved by the order of the National Company Law Tribunal under this Chapter may prefer an appeal to the National Company Law Appellate Tribunal constituted under section 410 of the Companies Act, 2013.	Appeal to National Company Law Appellate Tribunal.
	(2) Every appeal under sub-section (1) shall be filed before the National Company Law Appellate Tribunal within a period of forty-five days from the date on which a copy of the order of the National Company Law Tribunal is made available to the person aggrieved and the appeal shall be in such form and manner and accompanied by such fees, as may be prescribed.	
	Provided that the National Company Law Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days from the date aforesaid, but within a further period not exceeding forty-five days, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within that period.	
	<b>13ZH.</b> (1) Any person aggrieved by an order of the National Company Law Appellate Tribunal may file an appeal to the Supreme Court on a question of law arising out of such order under this Chapter within sixty days from the date of receipt of such order:	Appeal to Supreme Court.
	Provided that the Supreme Court may, if it is satisfied that a person was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding sixty days.”	
	3. In Chapter VI of the principal Act, after section 21, the following section shall be inserted, namely:—	
	<b>“21A.</b> (1) The Central Government may, from time to time, notify legal forms through which financial institutions may undertake their business in the IFSC, in the Third Schedule of this Act.	Power of Central Government to notify legal forms for financial institutions.
	(2) A draft of every notification proposed to be issued under sub-section (1), shall be laid before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions.	
	(3) If both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or shall be issued only in such modified form as may be agreed upon by both the Houses, as the case may be.	

	(4) The period of thirty days referred to in sub-section (2) shall not include any period during which the house referred to in sub-section (3) is prolonged or adjourned for more than four consecutive days.”	
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## **THIRD SCHEDULE**

[see section 21A]

1. Variable Capital Company for launching of schemes by Fund Management Entities.

## PROFORMA FOR COMMENTS

<b>Page No. of the Draft</b>	<b>Clause</b>	<b>Sub-clause</b>	<b>Comments/Suggestions/Suggested Modifications</b>	<b>Rationale</b>