

[To be published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-Section (i)]

Ministry of Corporate Affairs

NOTIFICATION

New Delhi, 20.09.2017

GSR (E)._ In exercise of the powers conferred under proviso to clause (87) of section 2, section 450 read with sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules, namely:—

1. **Short title and Commencement.**— (1) These rules may be called the Companies (Restriction on number of layers) Rules, 2017.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. **Restriction on number of layers for certain classes of holding companies.**- (1) On and from the date of commencement of these rules, no company, other than a company belonging to a class specified in sub-rule (2), shall have more than two layers of subsidiaries:

Provided that the provisions of this sub-rule shall not affect a company from acquiring a company incorporated outside India with subsidiaries beyond two layers as per the laws of such country:

Provided further that for computing the number of layers under this rule, one layer which consists of one or more wholly owned subsidiary or subsidiaries shall not be taken into account.

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(2) The provisions of this rule shall not apply to the following classes of companies, namely:-

(a) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(b) a non-banking financial company as defined in clause (f) of Section 45-I of the Reserve Bank of India Act, 1934 (2 of 1934) which is registered with the Reserve Bank of India and considered as systematically important non-banking financial company by the Reserve Bank of India;

(c) an insurance company being a company which carries on the business of insurance in accordance with provisions of the Insurance Act, 1938 (4 of 1938) and the Insurance Regulatory Development Authority Act, 1999 (41 of 1999);

(d) a Government company referred to in clause (45) of section 2 of the Act.

(3) The provisions of this rule shall not be in derogation of the proviso to sub-section (1) of section 186 of the Act.

(4) Every company, other than a company referred to in sub-rule (2), existing on or before the commencement of these rules, which has number of layers of subsidiaries in excess of the layers specified in sub-rule (1) -

(i) shall file, with the Registrar a return in Form CRL-1 disclosing the details specified therein, within a period of one hundred and fifty days from the date of publication of these rules in the Official Gazette;

(ii) shall not, after the date of commencement of these rules, have any additional layer of subsidiaries over and above the layers existing on such date; and

(iii) shall not, in case one or more layers are reduced by it subsequent to the commencement of these rules, have the number of layers beyond the number of layers it has after such reduction or maximum layers allowed in sub-rule (1), whichever is more.

(5) If any company contravenes any provision of these rules the company and every officer of the company who is in default shall be punishable with fine which may extend to ten thousand rupees and where the contravention is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which such contravention continues.

Annexure

Form CRL-1

Return regarding number of layers

(see clause (i) of sub-rule (4) of Rule 2)

1. (a) Name of the company: _____
(b) CIN of the company: _____

2. Number of layers of subsidiaries as on the date _____
of commencement of these rules

3. Layer wise details of subsidiary companies

SN	Name of subsidiary	CIN of subsidiary company	Name of holding company	CIN of holding company	Per centage of shares held by holding company
Layer 1					
1	SL1-1				
2	SL1-2				
3	SL1-3				
Layer 2				
..	SL2-1				
..	SL2-2				
..	SL2-3				
Layer 3..				
..	SL3-1				
..	SL3-2				
..	SL3-3				
Layer 4.				
..	SL4-1				
..	SL4-2				
..	SL4-3				
..				