

***Consultation Paper on Amendments to SEBI
Regulations w.r.t. Verification of Market Rumours
[Regulation 30]***

January 2024

Present SEBI Regulations on Market Rumours

The listed **entity may on its own initiative** also, **confirm or deny any reported event or information** to stock exchange(s):

Provided that the **top 100** listed entities and thereafter the **top 250** listed entities, with **effect from the date** as may be specified by the Board, **shall confirm, deny or clarify any reported** event or information **in the mainstream media** which is not general in nature and **which indicates that rumours of an impending specific material** event or information in terms of the provisions of this regulation are circulating amongst the investing public, as soon as reasonably possible and not later than twenty four hours from the reporting of the event or information:

Provided further that if the listed entity confirms the reported event or information, it shall also provide the **current stage of such event or information**.

Explanation – The top 100 and 250 listed entities shall be **determined** on the basis of market capitalization, as at the end of the immediately **preceding financial**

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Objective – Seek comments / views / suggestions on the followings:

- ❖ **Material price movement as the criteria** to verify market rumours instead of material event;
- ❖ **Unaffected price is considered for transactions** relating to **the securities** of a listed entity **upon confirmation** of market rumour;
- ❖ **Obligation** on promoters, directors, KMPs and SMPs **to provide** adequate, accurate and timely **response to the queries** raised or explanation sought in respect of market rumours **by the listed entity** in order to ensure compliance;
- ❖ **Classification of information** which was not verified by listed entities as unpublished price sensitive information (**“UPSI”**).

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Part A Material Price Movement as the criteria to verify market rumours

Issue under consideration

- ❖ **Existing Requirements** – mandatory clarification on rumour ‘material’ event or information.
- ❖ **Current Timelines** - To be verified within 24 hours of reporting in the mainstream media.
- ❖ **ISF Suggestion** - In this context, ISF has suggested to define ‘materiality’ in terms of price movement in the scrips of the listed entity since the **aim is to ensure prompt verification of rumours that results in a sudden movement in the price of the scrips of the listed entity**. Hence, **defining ‘materiality’ in terms of price movement instead of material event** in terms of regulation 30 of LODR Regulations may be more relevant for the rumour verification requirement.

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Framework for material price movement

4.1. As proposed by ISF, the **rumour verification** requirement **shall be applicable** if there is a **material price movement** in the securities of the listed entity. The **material price movement** in the securities of the listed entity may be **determined** based on the **following parameters**:

4.1.1. **Price range** of the securities of the listed entity: For securities under **high price range**, even a **smaller percentage variation** in the price would **lead to a higher price** variation in **absolute terms**. **Hence**, for determining material price movement, a **lower percentage variation should be considered** for **securities falling under high price range** and a **higher percentage variation** should be considered for **securities falling under low price range**.

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4.1.2. **Movement in the benchmark index (Nifty50 / Sensex):** In order to **factor in market dynamics**, the **price variation** in the securities of the listed entity may be **indexed to movement in Nifty50 / Sensex** (benchmark index).

4.2. The **proposed framework** for **material price movement** is placed at **Annexure B**. There may be **price movement due to a combination of various factors** such as rumour, **announcements or other events**. However, under the proposed framework, the **material price movement would be attributable only to the rumour**, and thus would require verification of such rumour.

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- 4.3. Since the requirement to verify market rumour arise from material price movement, it is proposed that the **timeline for verifying market rumour** shall be **within 24 hours of material price movement instead of** within 24 hours of reporting in the **mainstream media** as per the existing rumour verification requirement.

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Proposed framework for material price movement – Annexure B

A. In case benchmark index movement is greater than- 1% and less than 1%:

Price range of the scrip	Percentage variation in scrip price
Rs. 0 - 99.95	Greater than or equal to 5
Rs. 100 - 199.95	Greater than or equal to 4
Rs. 200 and above	Greater than or equal to 3

B. In case benchmark index movement is greater than 1%:

Price range of the scrip	Percentage variation in scrip price
Rs. 0 - 99.95	Greater than or equal to (5+ % change in benchmark index at 9:30) or Band hit
Rs. 100 - 199.95	Greater than or equal to (4+ % change in benchmark index at 9:30) or Band hit
Rs. 200 and above	Greater than or equal to (3+ % change in benchmark index at 9:30) or Band hit

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C. In case benchmark index movement is less than - 1%:

Price range of the scrip	Percentage variation in scrip price
Rs. 0 - 99.95	Greater than or equal to (5- % change in benchmark index at 9:30) or Band hit
Rs. 100 - 199.95	Greater than or equal to (4- % change in benchmark index at 9:30) or Band
Rs. 200 and above	Greater than or equal to (3- % change in benchmark index at 9:30) or Band hit

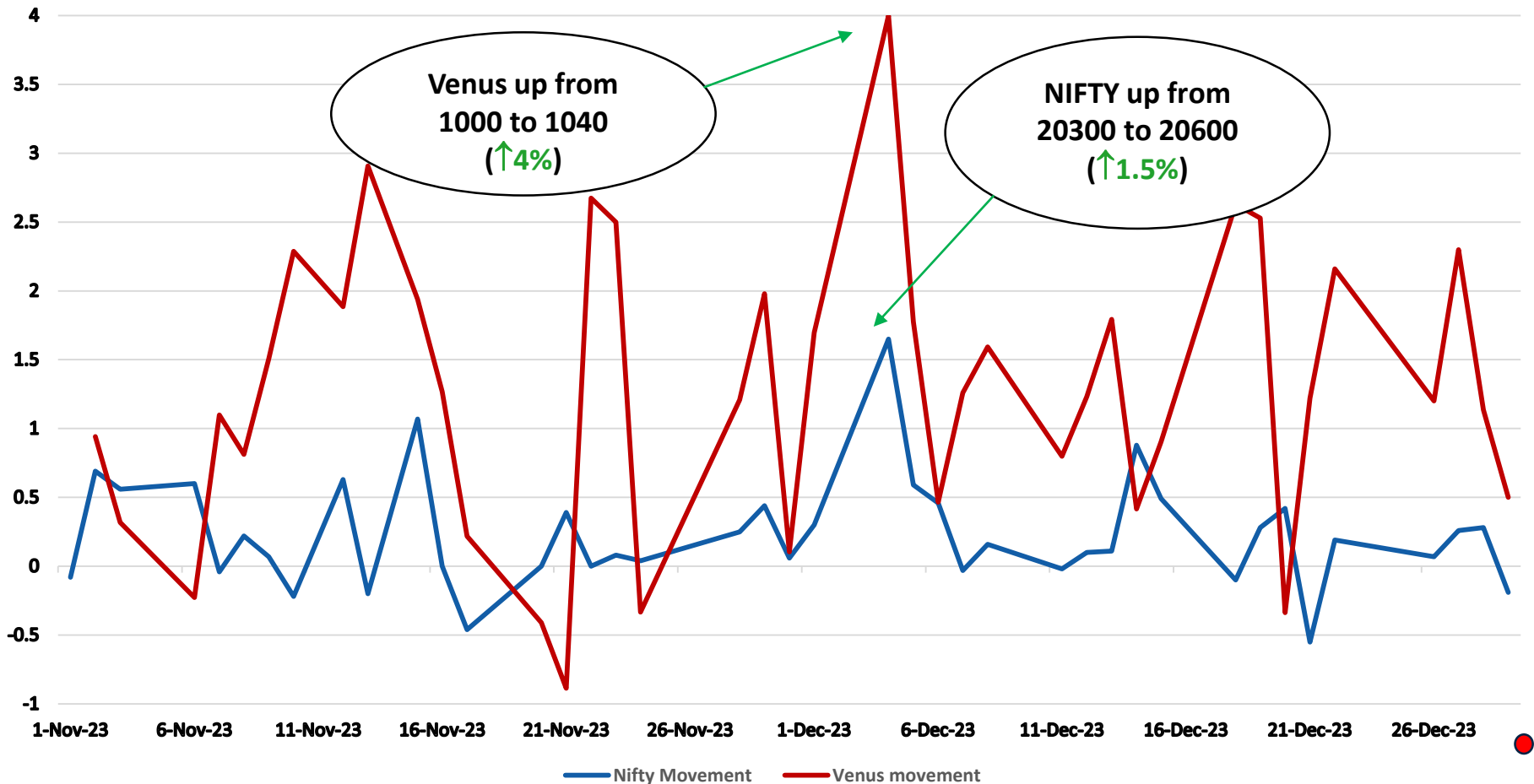
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Notes:

1. **Index movement** is to be considered **at 9:30 am** of the trading day w.r.t. the **closing price** on the **previous trading day**.
2. Percentage **variation** in scrip price is to be **considered at any point of time** during trading hours **w.r.t. the closing price** of the scrip on the **previous trading day**.
3. In case of **negative news**, **parameter cut off** applicable will be on **opposite side** calculated as above.

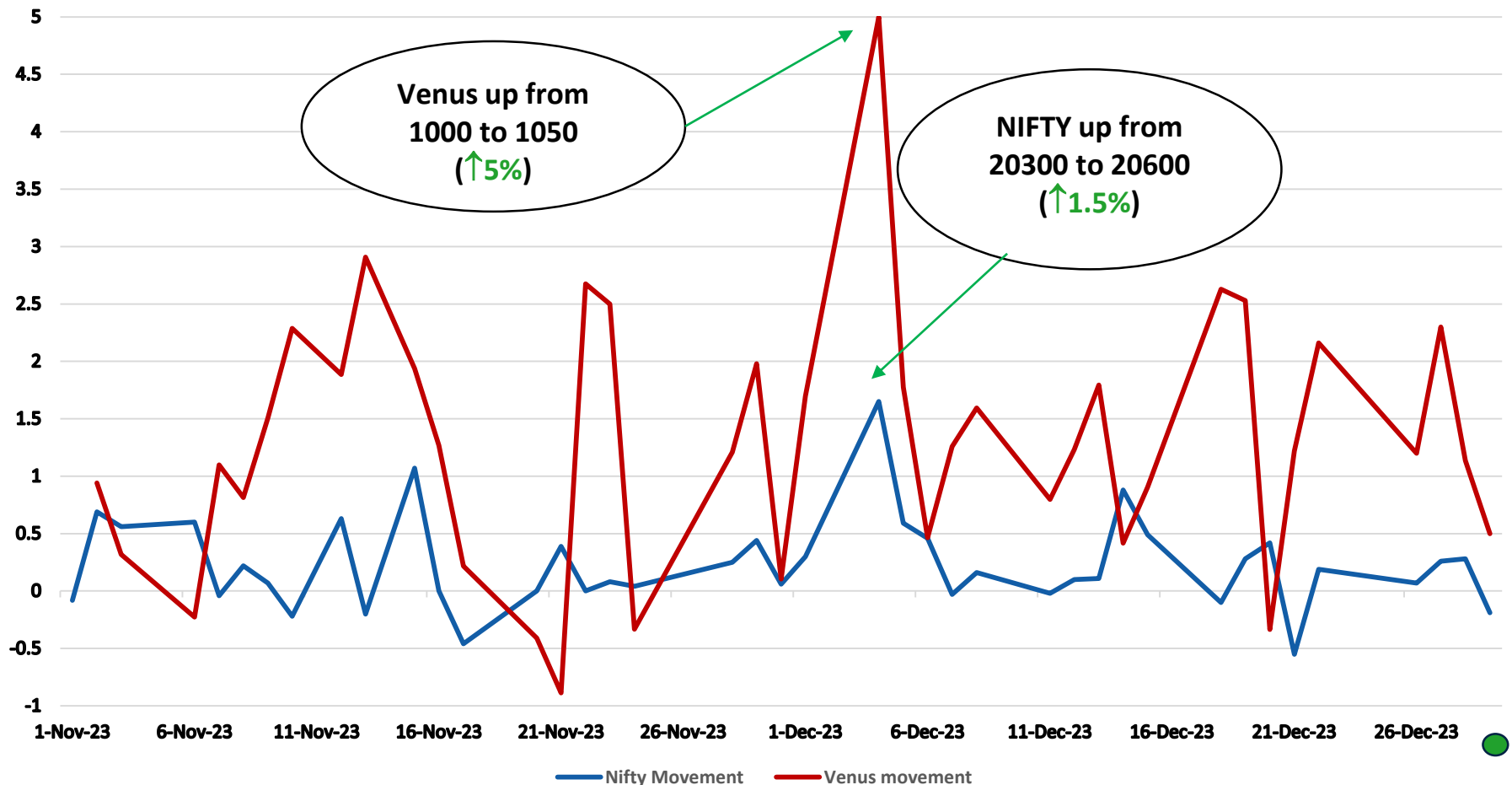
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On 4th December 2023, NIFTY was 1.5% up as compared to its previous close while the Venus Limited share price was 4% up during the day as compared to the previous day due to positive news.



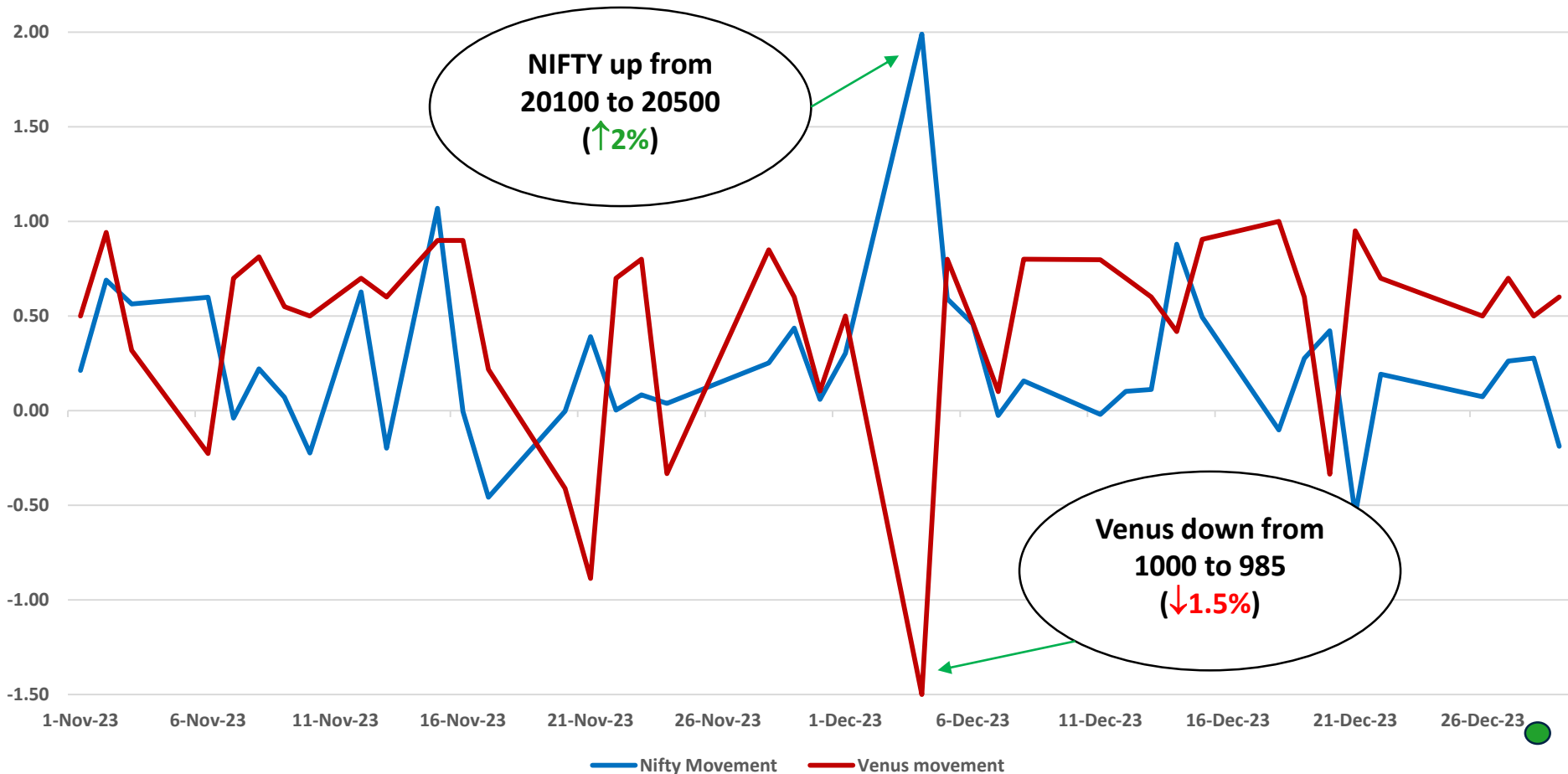
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On 4th December 2023, NIFTY was 1.5% up as compared to its previous close while the Venus Limited share price was 5% up during the day as compared to the previous day due to positive news.



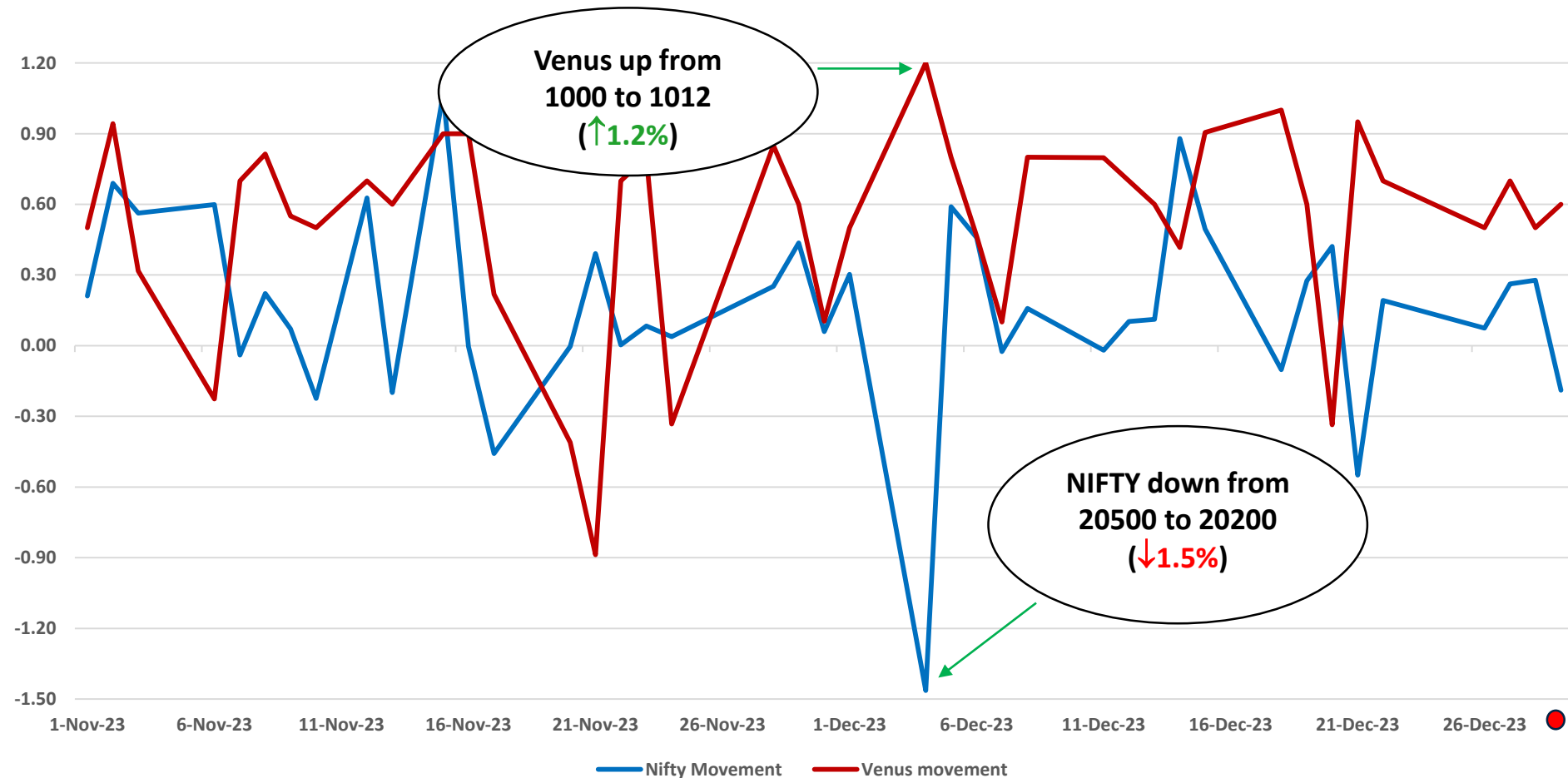
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On 4th December 2023, NIFTY was 2% up as compared to its previous close while the Venus Limited share price was 1.5% down during the day as compared to the previous day due to negative news.



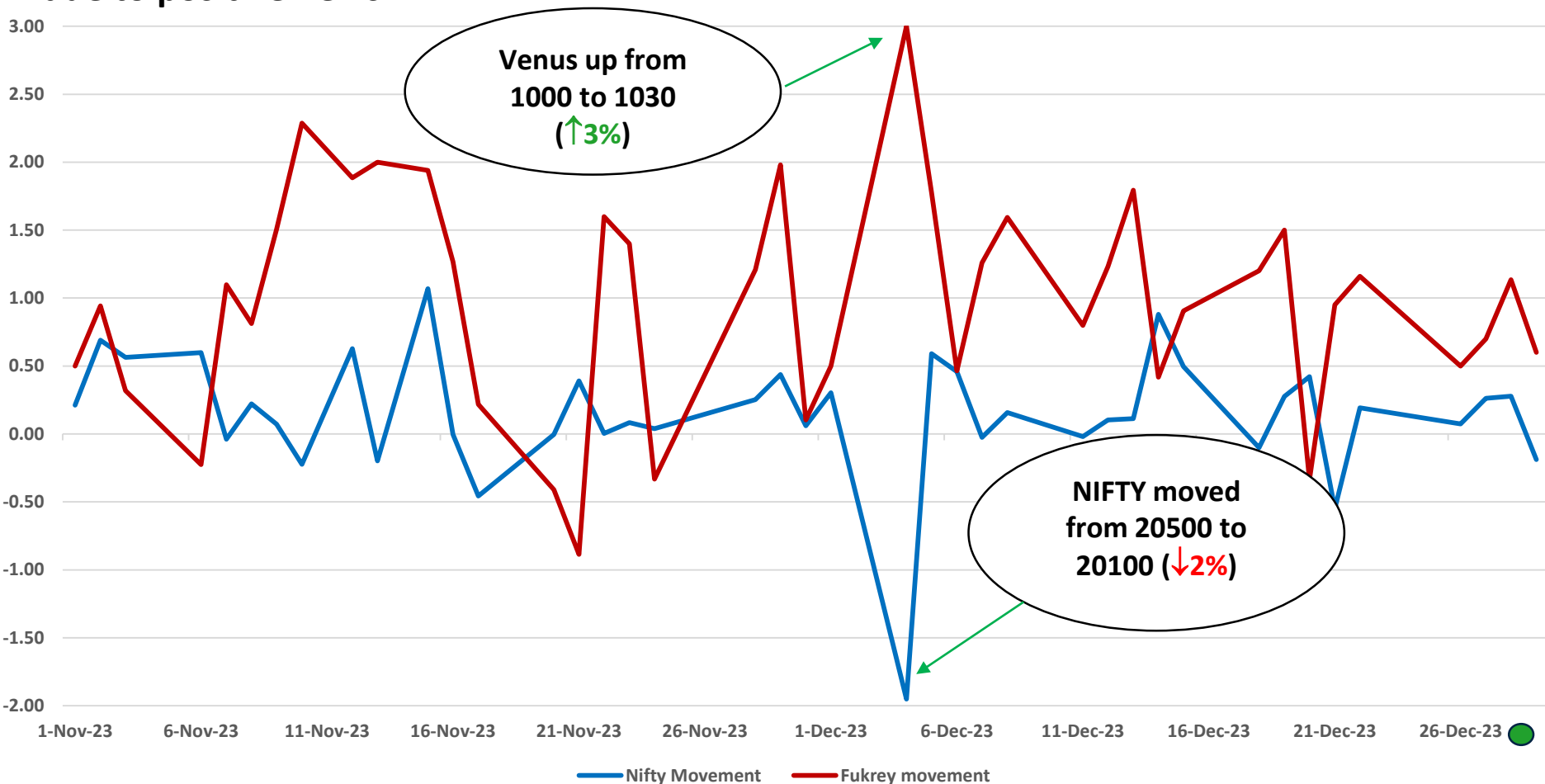
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On 4th December 2023, NIFTY was down by 1.5% as compared to its previous close while the Venus Limited share price was up by 1.20% during the day as compared to the previous day due to positive news.



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On 4th December 2023, NIFTY was down by 2% as compared to its previous close while the Venus Limited share price was up by 3% during the day as compared to the previous day due to positive news.



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Proposal: Comments are invited on the following:

- 1. Whether 'materiality' for the purpose of rumour verification requirement should be considered in terms of material price movement?*
- 2. Whether you agree with the proposed framework for material price movement as given in Annexure B?*
- 3. Whether you agree that rumour shall be required to be verified and confirmed, denied or clarified within 24 hours from material price movement?*

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PART B: Mechanism to ensure that unaffected price is considered with respect to transactions relating to the securities of a listed entity upon confirmation of market rumour

- ❖ **Issue** - market price of the shares getting affected upon confirmation of market rumours.
- ❖ **Current Regulations** - pricing guidelines under ICDR / Scheme of Arrangement / SAST Regulations/ Delisting Regulations/ Buy-back Regulations.
- ❖ **ISF Suggestions** - Unaffected price once the listed entity confirms the market rumour due to material price movement.
- ❖ **Applicability** - for a period of 60 days from the date of confirmation of the market rumour till the 'relevant date'.

For competitive bidding process for potential M&A deal, with no sole / exclusive bidder - 180 days from the date of confirmation of the market rumour till the 'relevant date'.

SEBI Consultation Paper – Framework A

Framework A

Details:

- ❖ Relevant Date: The date immediately preceding the date on which the listed entity first confirms the rumour.
- ❖ The look back period for calculation of VWAP shall be considered from the date preceding the new relevant date.

Advantages:

- ❖ Price variation due to market rumour and subsequent to confirmation is not taken into account for determining the pricing of transactions

Challenges :

- ❖ Does not consider the price changes due to other factors.
- ❖ Difficult to rule out the possibility that interested parties can take undue benefits.

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Framework B (alternate proposal)

- ❖ The price variation due to rumour and confirmation of rumour may be excluded from the calculation of VWAP. The price variation in daily WAP from the day of material price movement till the end of the next trading day after confirmation of the rumour shall be attributed to the rumour and confirmation of the rumour (“**WAP variation**”).
- ❖ Rumours at multiple stages of same transactions, the price adjustment may be provided for all cases.

Advantages

- ❖ Only the price variation due to the rumour and confirmation of market rumour is adjusted. Price variation due to other factors such as announcements by the listed entity, news pertaining to the industry, or developments in the market will be included in the price of the transaction.

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Challenges:

- ❖ No. of days for which price gets impacted, upon confirmation of the market rumour, may vary due to various circumstances.
- ❖ There is a possibility that the price variation may hit band limit on the next trading day post rumour confirmation and may spread to the following day.

SEBI Consultation Paper – Illustration for Framework A

Trading Day	Daily WAP	No.of Shares	Daily VWAP = WAP*No. of shares	Remarks	As per existing ICDR Regulations	Framework A
13-Jul	1,028.38	44,863	4,61,36,436			NT-10
14-Jul	1,027.02	33,466	3,43,70,333			
17-Jul	1,032.63	32,223	3,32,74,413			
18-Jul	1,027.20	19,968	2,05,11,216			
19-Jul	1,034.02	49,398	5,10,78,332			
20-Jul	1,045.06	47,004	4,91,22,094			
21-Jul	1,053.26	24,750	2,60,68,106			
24-Jul	1,047.07	37,262	3,90,15,902		T-10	
25-Jul	1,054.90	15,000	1,58,23,472			
26-Jul	1,060.76	44,519	4,72,24,119			NT-1
27-Jul	1,164.47	7,60,853	88,59,92,949	Date of material price movement		New Relevant Date(NT)
28-Jul	1,173.45	2,38,320	27,96,56,317	Date of rumour confirmation		
31-Jul	1,178.90	88,450	10,42,73,673	Next trading day after rumour confirmation		
01-Aug	1,173.16	68,613	8,04,93,949			
02-Aug	1,165.71	41,954	4,89,06,124			
03-Aug	1,163.36	56,267	6,54,58,874			
04-Aug	1,212.36	5,99,197	72,64,43,696		T-1	
07-Aug	1,208.33	1,08,762	13,14,20,854	Date of Board approval to preferential issue to QIBs	Relevant Date (T)	

SEBI Consultation Paper - Illustration for Framework B

Trading Day	Daily WAP	No.of Shares	Daily VWAP = WAP*No. of shares	Adj. WAP (for Framework B)	Adj. Daily VWAP = Adj. WAP *No. of shares (for Framework B)	Remarks	As per existing ICDR Regulations	Framework B
13-Jul	1,028.38	44,863	4,61,36,436	1,028.38	4,61,36,436			
14-Jul	1,027.02	33,466	3,43,70,333	1,027.02	3,43,70,333			
17-Jul	1,032.63	32,223	3,32,74,413	1,032.63	3,32,74,413			
18-Jul	1,027.20	19,968	2,05,11,216	1,027.20	2,05,11,216			
19-Jul	1,034.02	49,398	5,10,78,332	1,034.02	5,10,78,332			
20-Jul	1,045.06	47,004	4,91,22,094	1,045.06	4,91,22,094			
21-Jul	1,053.26	24,750	2,60,68,106	1,053.26	2,60,68,106			
24-Jul	1,047.07	37,262	3,90,15,902	1,047.07	3,90,15,902		T-10	T-10
25-Jul	1,054.90	15,000	1,58,23,472	1,054.90	1,58,23,472			
26-Jul	1,060.76	44,519	4,72,24,119	1,060.76	4,72,24,119			
27-Jul	1,164.47	7,60,853	88,59,92,949	1,060.76	80,70,84,899	Date of material price movement		
28-Jul	1,173.45	2,38,320	27,96,56,317	1,060.76	25,28,01,097	Date of rumour confirmation		
31-Jul	1,178.90	88,450	10,42,73,673	1,060.76	9,38,24,509	Next trading day after rumour confirmation		
01-Aug	1,173.16	68,613	8,04,93,949	1,055.02	7,23,88,257			
02-Aug	1,165.71	41,954	4,89,06,124	1,047.57	4,39,49,830			
03-Aug	1,163.36	56,267	6,54,58,874	1,045.23	5,88,11,694			
04-Aug	1,212.36	5,99,197	72,64,43,696	1,094.23	65,56,56,725		T-1	T-1
07-Aug	1,208.33	1,08,762	13,14,20,854	1,090.20	11,85,72,104	Date of Board approval to preferential issue to QIBs	Relevant Date (T)	Relevant Date(T)

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Notes:

Price variation on the following days has been adjusted under Framework B from the date of material price movement to the date of board approval:

- 27th July – Date of material price movement
- 28th July – Date of rumour confirmation
- 31st July – Next trading day after rumour confirmation

VWAP calculated under different frameworks:

- Under existing ICDR Regulations – Rs. 1,175.78/- (Calculated based on daily VWAP from T-1 to T-10)
- Under Framework A – Rs. 1,040.67/- (Calculated based on daily VWAP from NT-1 to NT-10)
- Under Framework B – Rs. 1,069.80/- (Calculated based on adjusted daily VWAP from T-1 to T-10)

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Proposal: Comments are invited on the following:

4. Whether the **unaffected price should be considered** when the listed entity confirms the market rumour due to material price movement?
5. Whether you agree that the **unaffected price should be applicable for 60 days or 180 days**, as the case may be (refer para 6.4), from the date of confirmation of the market rumour till the 'relevant date' under the existing regulations?
6. Whether **Framework A as mentioned at para 7.1 should be implemented**? If yes, provide suggestions to address the challenges mentioned at para 7.3.
7. Whether **Framework B as mentioned at para 8.1 should be implemented**? If yes, provide suggestions to address the challenges mentioned at para 8.3.

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Part C: Obligation on promoters, directors, KMP and senior management

11. Issue under consideration

11.1. The obligation to disclose material events or information and market rumours is cast upon the listed entity. However, there may be instances where the **rumour may pertain to promoters / directors / KMP / senior management** and the listed entity may need to seek information from such persons in order to provide adequate, accurate and timely disclosure to the investors and to ensure compliance with Regulation 30(11) of LODR Regulations.

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11.2. Therefore, there is a need to **cast an obligation upon the promoters, directors, KMP and senior management** to provide adequate, accurate and timely response to queries raised or explanation sought by the listed entity in order to ensure compliance with Regulation 30(11) of LODR Regulations.

12. **Proposal:** Comments are invited on the following:

8. *Whether promoters, directors, KMP and senior management should be mandated to provide adequate, accurate and timely response to queries raised or explanation sought by the listed entity in order to ensure compliance with the requirements under Regulation 30(11) of LODR Regulations?*

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Part D: Classification of information which was not verified by listed entities as UPSI

13. Issue under consideration

- 13.1. There may be instances where a **rumour** pertaining to a listed entity is circulating in the market but **doesn't result in material price movement** in the scrips of the entity.
- 13.2. In case the **listed entity has classified** certain information **as UPSI** and the **entity neither confirms, denies or clarifies market rumour** pertaining to such information published in the media, then **such media reports should not be used later by an insider as a defence that the information was 'generally available'**.

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14. **Proposal:** Comments are invited on the following:

9. In case certain information is classified as UPSI by the listed entity and market rumour pertaining to that information is not verified by the listed entity, then whether such information should be continued to be treated as UPSI and not 'generally available' information?

Thank you

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