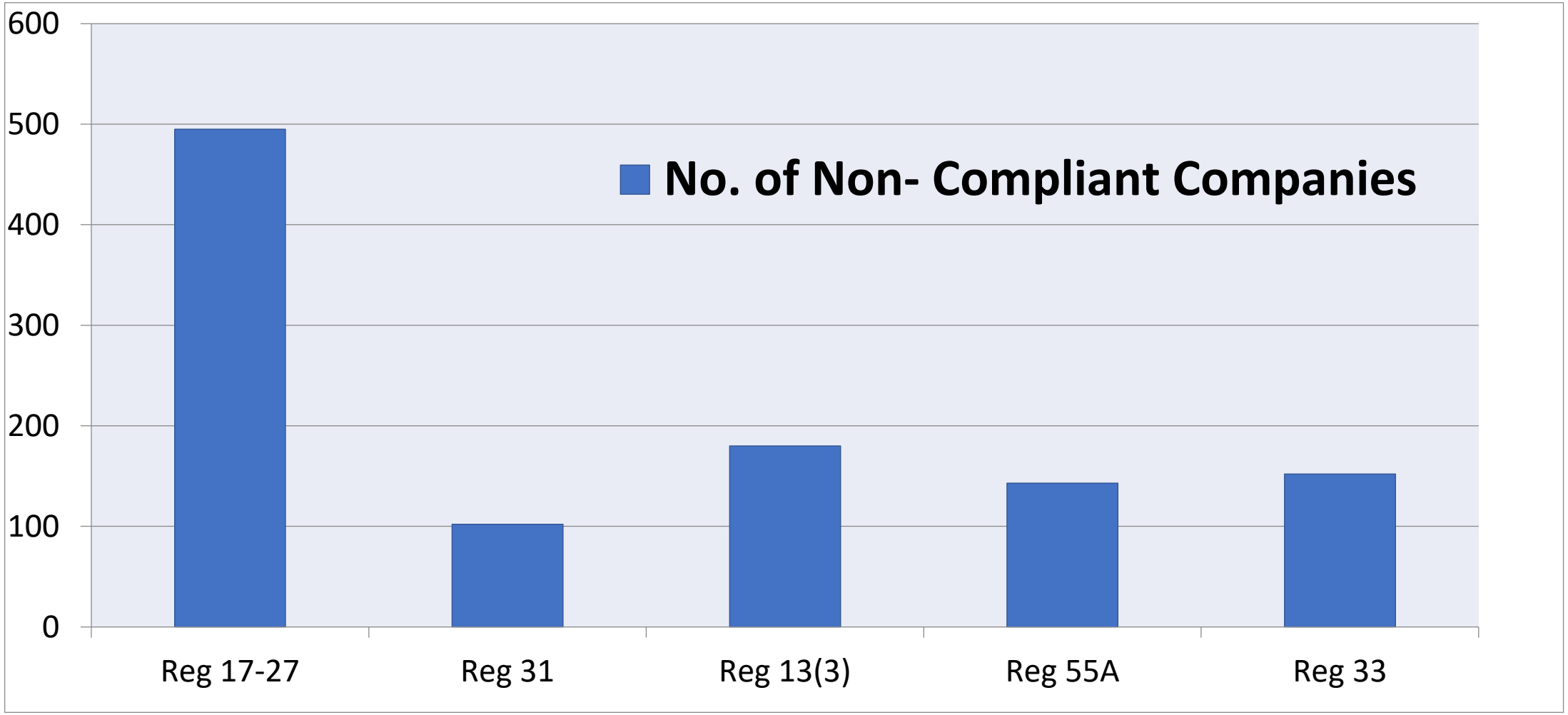
LISTING REGULATIONS

A Bible for Listed Companies

Out of 5000 Listed Companies, almost 1072 Companies were issued notices of non- compliance.

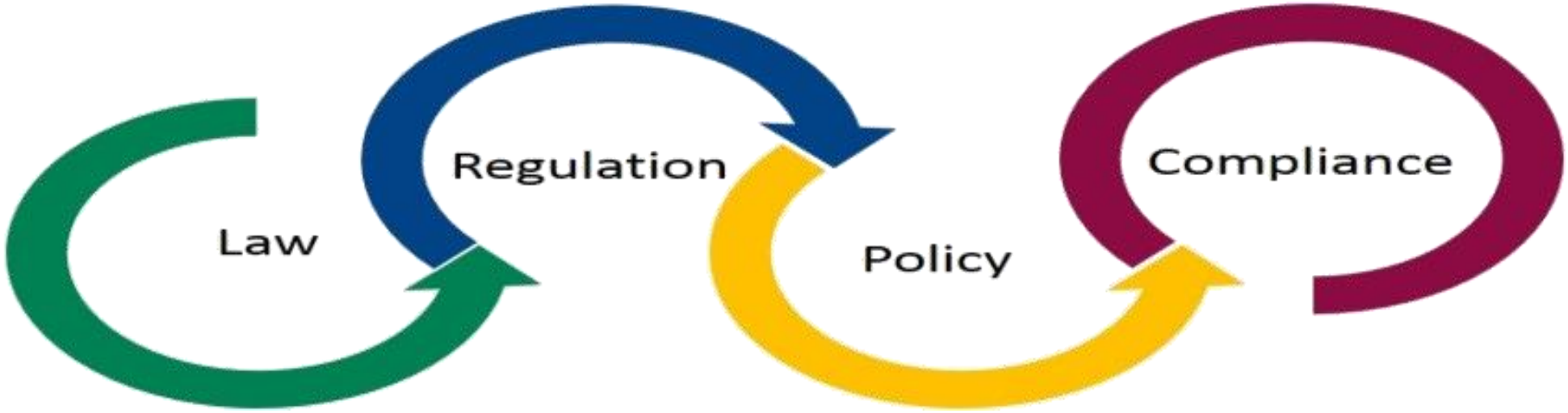


SOME BIG NAMES ARE ALSO THERE LIKE LIC Housing, BHEL, Essar, IFCI Ltd. etc

As a Compliance Officer/ PCS/ Consultant, one needs to be well-versed with the Listing Regulations.

A Brief of Listing Regulations

Listing Regulations compile all the mandates of varied SEBI Regulations/ circulars governing equity as well as debt segments of capital market under the ambit of single document.



Applicability Of Listing Regulations

Listed Entities Whose Securities are Listed On any Recognised Stock Exchange:

Specified Securities Listed on Main Board or SME Exchange or ITP.	Chapter IV
NCDs/ NCRPS/Perpetual Debt securities/	Chapter V
Indian Depository Receipts;	Chapter VII
Securitized Debt instruments	Chapter VIII
Security Receipts	Chapter VIII A
Mutual fund Units	Chapter IX

any other securities as may be specified by the Board

HIGHLIGHTS

Chapter III- Common Obligations of Listed Entities

Regulation 6

- **Mandatory appointment of Qualified Company Secretary as the Compliance Officer**

CS to be appointed by the Board and his appointment or removal to be reported to the:

- **Board of Directors**
- **ROC and the**
- **Stock Exchanges.**

Cost of Non- Compliance with Reg 6

Base to check compliance	Fine	Frequency of Review of Non- Compliance	Appointment of CS in case of vacancy
Reconciliation of share capital Audit Report	Rs. 1000/- per day	Quarterly	During the Quarter in which Vacancy arises

ISSUE: A Company Secretary resigns on January 28, 2019. SE s impose fine amounting to Rs. 62,000/- (for 62 days) for non-appointment of CS as on March 31, 2019. Is this tenable?

Regulation 13: Grievance Redressal Mechanism

Mandatory Registration with SEBI- SCORES platform

Submission of **Statement of Investor Grievance**
Stock Exchange(s) within 21 days from the end of the relevant quarter.

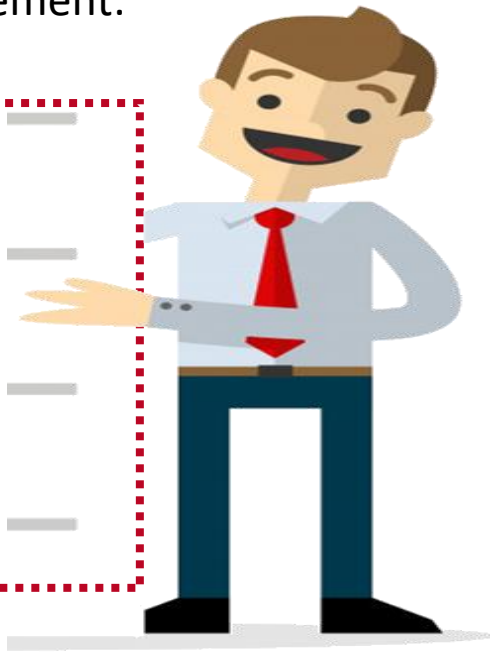
Cost of Non- Compliance with Reg 13

Non-compliance of following:	Frequency of Review of Non-Compliance
▪ **Failure to ensure that adequate steps** were taken for expeditious redressal of investor complaints	**1,000 per day**
▪ **Non- Submission of Statement**	

Grievance Redressal Mechanism- How to ensure Compliance?

Compliance Officer has to check the following while submitting such Statement:

- **SCORES Portal**
- **Company Registered E-mail id**
- **Complaints received through RTA**
- **Complaints received through the Stock Exchanges**

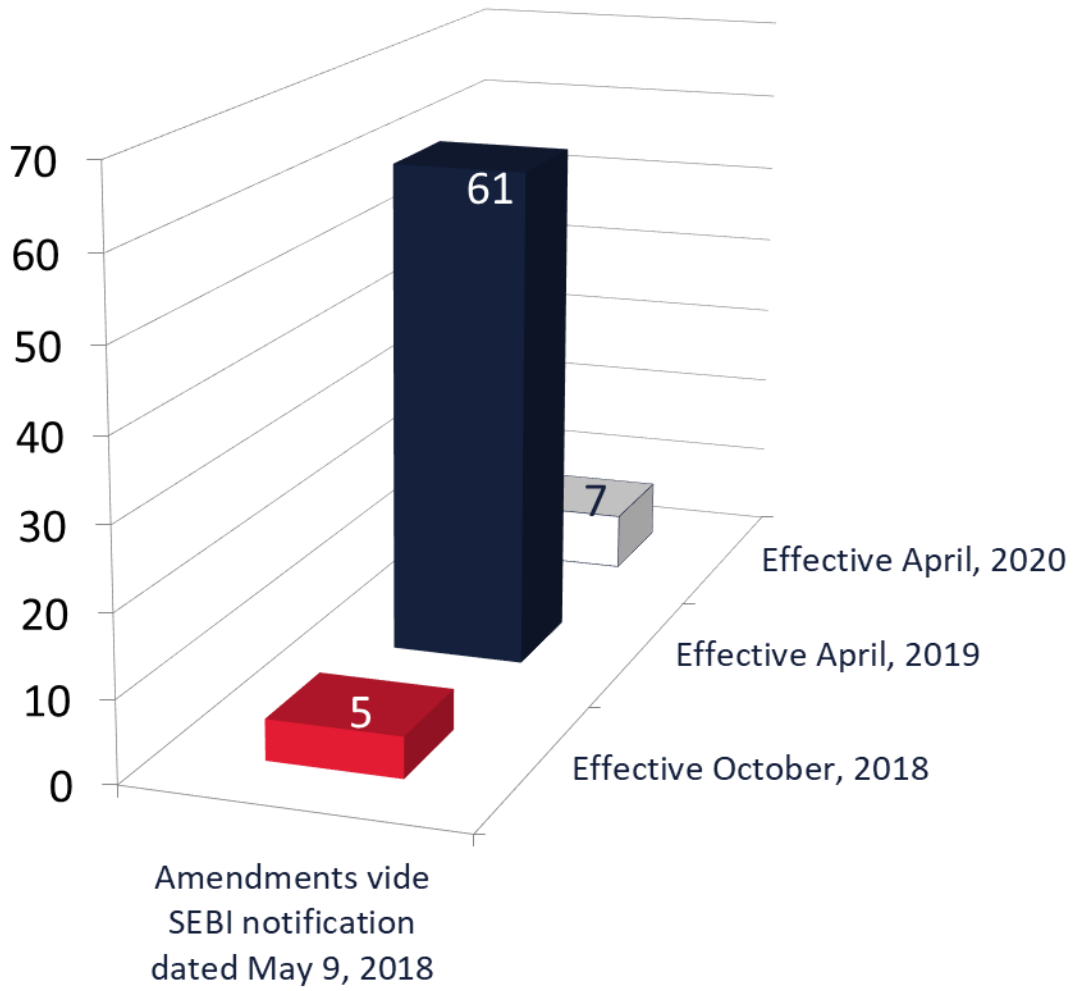


Compliance Officer needs to be more vigilant in addressing investor grievances, as now Investors can directly file complaints with BSE/ NSE through their E-Complaints registration platform

KEY AMENDMENTS

Chapter IV- Obligations in case of Listing of Specified Securities

BACKGROUND



EVOLVING TOWARDS GLOBAL PRACTICES

SEBI's Corporate Governance Amendments reflect SEBI's clear tilt to create better value and be a more responsible corporate citizen. Also reflect SEBI's Zero Tolerance Zone and conveying to the Companies that its high time to become well governed……..

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REASON FOR CHANGE

To reduce problems of Reliability and Asymmetric Information

To deter managers to pursue their personal interest against the investors' interest

Regulatory monitoring for effective implementation of Corporate Governance

Regulation 17-27: Corporate Governance Provisions

APPLICABILITY ON LISTED ENTITIES:

PAID UP SHARE CAPITAL > 10cr.

NET WORTH > 25cr

NOT APPLICABLE ON:

- Other listed entities which are not Companies but Body Corporate, to the extent it doesn't violate their respective statues. Like: Banks, Financial Institutions, Mutual Funds etc.
- Companies listed on SME Exchange.

Reg 17: Board of Directors

Amended Board Composition

Min. no. of directors on Board	Minimum 6 directors on Board	W.e.f., 01.04.2019- Top 1000 Listed Cos. (For Top 2000 Listed Cos w.e.f. 01.04.2020)
Gender Diversity on Board	Atleast 1 Independent Woman Director	**W.e.f., 01.04.2019- Top 500 Listed Cos.** i.w.e.f. 01.04.2020- Top 1000 Listed Cos
Approval for NED on attaining 75 years	Special Resolution + Justification to be annexed in Explanatory Statement	**W.e.f., 01.04.2019-** **For all Listed Cos**
Chairperson	i. a non-executive director; ii. not related to the MD/ CEO	**W.e.f., April 1, 2020,** **For top 500 listed**

Cost of Non- Compliance:

Amount of Fine	Base to check compliance	Frequency of Review of Non- Compliance
Rs. 5000/- per day	**Corporate Governance Report**	**Quarterly**

Practical Issues:

- Compliance done on 1 exchange;
- Lapse on account of operation of law;
- No time frame provided in Listing Regulations, to fill the vacancies
- Lapse on account of compliance with other laws;
- Rounding off fractions;

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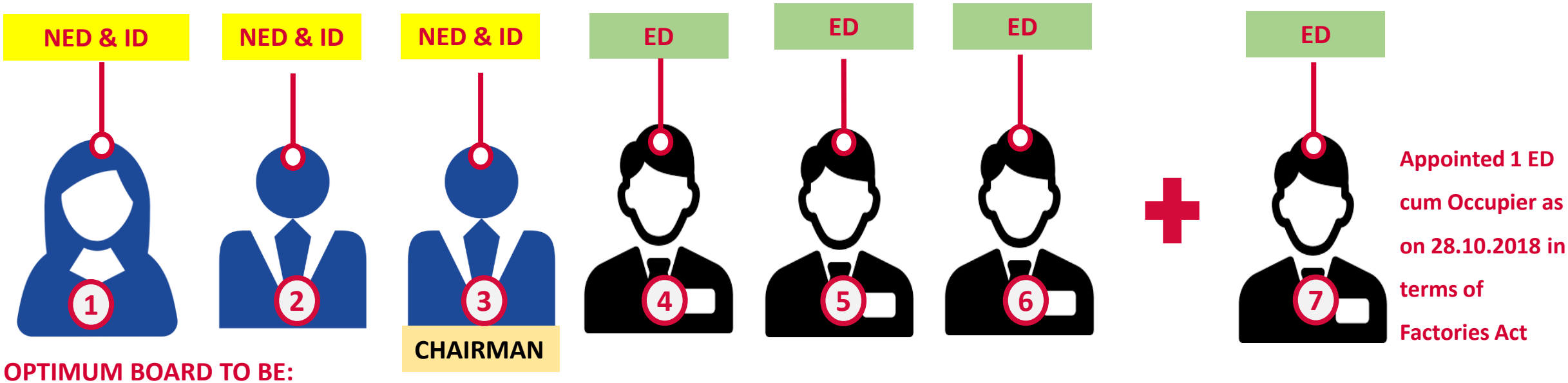
PRACTICAL ISSUE: Board Structure of ABC LTD. as on 01.10.2018



OPTIMUM BOARD TO BE:

IF TOTAL NO. of DIRECTORS= 7

- ✓ **MIN 1 WOMAN DIRECTOR**
- ✓ **TOTAL NED= 3.5**
- ✓ **TOTAL ID= 2.3 (As Chairperson is NED)**

NSE AND BSE IMPOSED FINE OF RS. 3,20,000/- (64 days @ Rs. 5000/- per day per exchange) FOR NON-COMPLIANCE WITH Reg 17

NSE and BSE vide their Guidance Note dated October 30, 2018, clarified that Fraction shall be rounded off to the higher number while determining compliance.

BOARD MEETING QUORUM- Newly inserted W.e.f., 01.04.2019- Top 1000 Listed Cos

Higher of:

3 or 1/3rd of the total strength

+

Independent Director (ID) mandatory

→ Video conferencing / other audio-visual allowed

As per CA 2013:
Higher of :
2 or 1/3rd of total strength
ID not mandatory

REG 17A: Maximum No. of Directorships- Newly inserted

PHASE 1:

w.e.f. April 01, 2019:
Max. 8 listed companies

PHASE 2:

w.e.f. April 01, 2020:
Max. 7 listed companies

As per CA 2013:
Max 10 Public companies

Annual Remuneration to Directors- Newly inserted W.e.f., 01.04.2019

TO NON-EXECUTIVE DIRECTOR

if **1 NED Remuneration > 50%** of the total remuneration to all NEDs

Special Resolution to be passed every year

TO EXECUTIVE DIRECTORS (Promoter Group)

Higher of:

1 ED Remuneration > Rs 5 Cr

or

2.5% of the Net profit

All ED Remuneration > 5% of net profits

Special Resolution valid till tenure of Director

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INSTITUTION OF INDEPENDENT DIRECTORS

Provisions already made effective from, Oct 01, 2018

ADDITIONAL ELIGIBILITY CRITERIA FOR INDEPENDENT DIRECTOR

Exclude 'Promoter Group'

In addition to promoter, any person belonging to 'promoter group' shall also be excluded

No Board Inter-Locks

a non –ID of a company on the board of which any non –ID of listed entity is an ID, shall be ineligible for appointment as an ID.

NO ALTERNATE DIRECTOR FOR INDEPENDENT DIRECTOR

Appointment of an Alternate Director for an Independent Director would not be permitted

DIRECTORS' & OFFICERS' INSURANCE FOR ID- **FOR TOP 500**

Board is required to undertake 'D and O insurance' for all their independent directors of such quantum and for such risks as may be determined by its board of directors.

BOARD INTER LOCK

COMPANY A Ltd.-listed

Mr. X- Executive Director;

Mr. Y- Independent Director;

Mrs. Z: Non- Executive, Non- Independent Director

COMPANY B Ltd.-listed

Mr. M- Executive Director;

Mr. X- Independent Director;

Mrs. O: Non- Executive, Non- Independent Director

Can **Mr. M be appointed as a Director in A Ltd** in the following capacity:

- ❑ Independent Director of A Ltd.?
- ❑ Executive Director in A Ltd.?

Provisions effective w.e.f., 01.04.2019/ FY ended March 31, 2019

DISCLOSURES TO BE MADE

- **Confirmation by the Board** w.r.t., fulfilment of eligibility criteria by Independent Directors
  i. Annual Report

- **Declaration by ID** w.r.t., fulfilment of eligibility criteria in Ist Board Meeting of every Financial Year or when there is a change in his status

- **Disclosure on Resignation of IDs:**
  i. In Annual Report for the FY ended on March 31, 2019;
  ii. By Co. To the Stock Exchange(s): within 7 days of such resignation

BOARD COMMITTEES

REG 18: AUDIT COMMITTEE-

ROLE ENHANCED- w.e.f., 01.04.2019

To review utilization of loans/advances given or investments made, by the holding co. **in the subsidiary** amounting to:

→ More than Rs. 100 crore or

→ 10% of the asset size of the subsidiary,

whichever is lower

Action to be Taken by the Board:

The Board to review and re-assign the role of Audit Committee

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REG 19: NOMINATION AND REMUNERATION COMMITTEE– w.e.f., 01.04.2019

ROLE ENHANCED	▪ NRC to recommend Remuneration of Senior Management. ▪ Senior Management to now cover all members of management one level below specific designations i.e. CEO/ MD/ WTD/Manager/CS/CFO;
NO. OF MEETINGS	Minimum number of meetings in a year – One
QUORUM	Minimum 2 or 1/3rd of the strength Presence of Independent Director (ID) is mandatory

Action to be Taken by the Board:

1. The Board to review and re-assign the role of NR Committee;
2. Amendment of NRC Policy;
3. NRC to review the Remuneration in case earlier not followed the said process.

REG 20: STAKEHOLDERS RELATIONSHIP COMMITTEE--- w.ef., 01.04.2019

COMPOSITION	CHAIRPERSON	NO. OF MEETINGS	ROLE ENHANCEMENT
• Now **min. 3** Directors with **atleast one Independent Director** • [Earlier composition left to Board]	• **Non-executive director**	• Minimum no. of meetings in a year – **One**	• Role widened from focus on redressal of grievances to **various aspects of interest** of shareholders, debenture holders and other security holders

Action to be Taken by the Board:

1. The Board to review and re-assign the role of SR Committee;
2. Board to re-constitute the SRC w.r.t., amended composition

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REG 21: RISK MANAGEMENT COMMITTEE

Applicable to Top 500 [earlier top 100] Listed Company

Minimum number of meetings in a year – One

- Regulation 21(3A)

Enhanced Role: To monitor & review risk management plan and function to specifically cover cyber security

- Regulation 21(4)

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Reg 23: Related Party Transactions

Who are Related Party in case of a Listed Company?

RPs under Sec 2(76) of Companies Act

+

RPs under Applicable Accounting Standards

+

Persons/ entitities forming part of promoters or promoter group & holding > 20% shareholding

Newly inserted- w.e.f., 01.04.2019

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Accounting Standards

- **The Definition under AS is wider as compared to Companies Act;**
- **Parties shall be considered related even if one party has the ability to:**

control the other party;

or

exercise significant influence over the other party in making financial and/or operating decisions.

Cont..

Not related parties;

- Companies having merely common directors;
- Unless the director is able to affect the policies of both companies in their mutual dealings;

Example: If Mr. X is a director in the A ltd. and B Ltd. Then, whether A Ltd. & B Ltd. will be treated as Related Party??

Under Companies Act: **Yes,**

Under AS:

Yes: If Director can affect policies;

No: If only a common director

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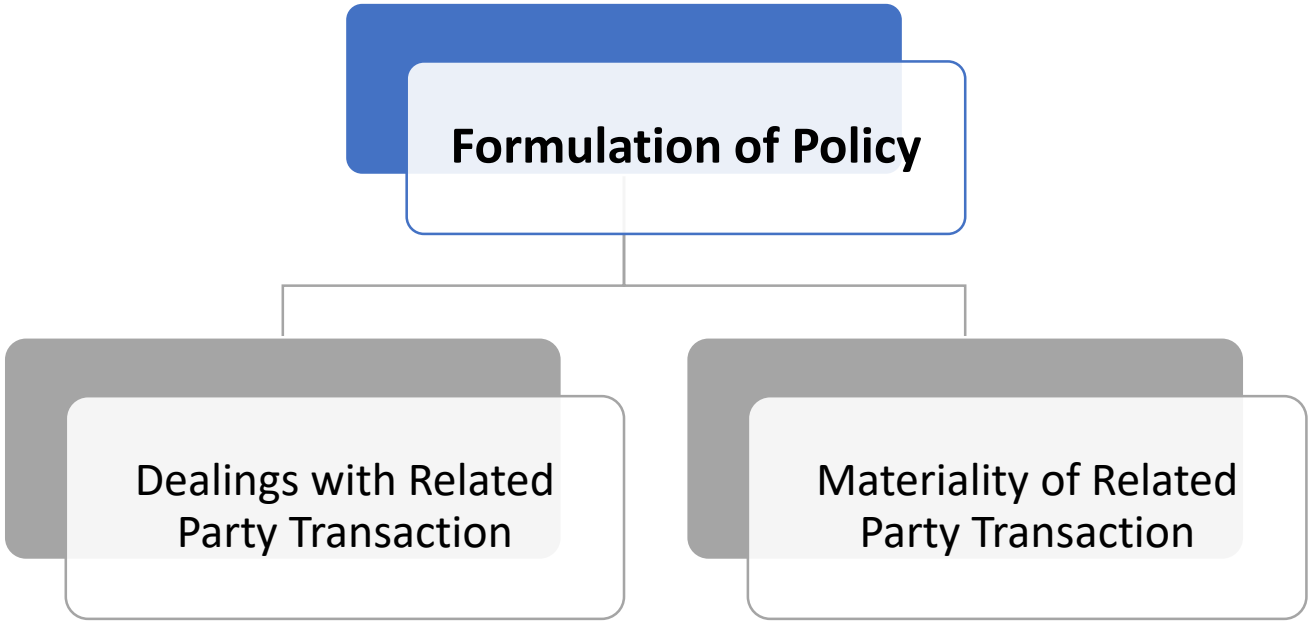


Materiality of Related Party Transaction: A transaction with a related party shall be considered material-

if the transaction(s) to be entered into individually or taken together with previous **transactions during a financial year**,

exceeds 10% of the annual consolidated turnover of the listed entity

As per **the latest Audited Financial Statements**.

Amendments applicable w.e.f., 01.04.2019

Policy on RPT- Materiality and Dealing

- Should mention **Clear threshold limits**, duly approved by the Board;
- Review of Policy once in 3 years and updation thereof

Shareholders Voting

- Related parties will be allowed to **vote to disapprove** material related party transaction in a general meeting.
- **Earlier: Abstained from Voting**

Payment for Brand Usage/ Royalty

- Transaction with related party for **brand usage or royalty** to be **considered material** if single/ consolidated RPT in a FY **> 2%** of consolidated turnover of listed entity.- **Applicable w.e.f. July 01, 2019**

Amendments applicable w.e.f., 01.04.2019

Half-Yearly Disclosure

- **Within 30 days** from the date of publication of half yearly results, disclose details of RPTs undertaken to Stock Exchange(s) and on website in accordance with applicable AS- **Applicable from HY ending 31.03.2019**

Annual Disclosure in Annual Report

- **Disclosure of transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity**, in the format prescribed in the relevant accounting standards for annual results.

PRACTICAL CONCERNS

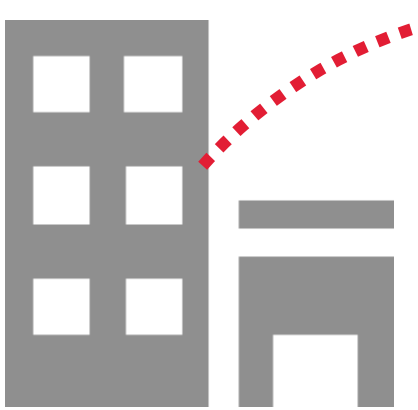
- There being no uniformity in legal regime pertaining to RPTs;
- Provisions as per Companies Act, SEBI, AS vastly vary;
- Tough task for Board as well as for the Compliance Officer determine Related parties and Related party Transactions;
- Corporate Governance issues still exists.

What Amendment Regulations, 2018 say?

CG w.r.t. Subsidiary Companies

w.e.f., 01-Apr-19

Reg 24:SUBSIDIARY COMPANY



Wider Definition- Material Subsidiary (Reg 16)

Income or Net Worth of Subsidiary > 10% of the consolidated income or net worth of listed entity in preceding FY

Earlier: 20% or more

Secretarial Audit- Indian Material Unlisted Subsidiary (Reg 24A)

Every **Indian material unlisted subsidiaries shall undertake secretarial audit** irrespective of whether they meet the criteria of secretarial audit has prescribed under the Companies Act, 2013.

Appointment of Independent Director on Board of Foreign Subsidiary- Reg 24(1)

An ID on the board of the listed entity is required to be appointed on the board of an unlisted material subsidiary.

For Reg 24(1) only : Material Subsidiary shall be identified by 20% criteria and not 10%.

Noting of significant transaction- Reg 24(4)

All **unlisted subsidiary (not only material subsidiary),** shall periodically bring to the notice of the board of the listed entity, a statement of all significant transactions and arrangements entered into by it.

Reg: 24A: SECRETARIAL AUDIT

w.e.f., 01-Apr-19

Current Regulatory Provisions:

Companies Act 2013: Secretarial audit for Listed Companies and unlisted companies above a certain threshold

As per newly inserted Reg 24A

Secretarial Audit of Listed Companies

+

Secretarial Audit of **INDIAN UNLISTED MATERIAL SUBSIDIARIES**

- Scope of Sec Audit widened
- Strengthening group oversight and improving compliance at a group level

ANNUAL SECRETARIAL COMPLIANCE REPORT w.e.f., 01-Apr-19

NEW CONCEPT INTRODUCED PURSUANT TO SEBI CIRCULAR DATED FEBRUARY 08, 2019

APPLICAILITY: ALL LISTED COMPANIES

TIMELINE: WITHIN 60 Days from the end of FY i.e., May 30, 2019

What Is The Difference Between Sec Audit Report & Sec Compliance Report?

SEC AUDIT REPORT Vs. SEC COMPLIANCE REPORT

PARTICUALRS	SEC AUDIT REPORT	SEC COMPLIANCE REPORT
SCOPE OF AUDIT	Compliance w.r.t., Companies Act, SEBI Regulations, FEMA, Labour Laws and Sector specifc Laws	All SEBI Regulations & Circulars
LEGAL PROVISION	Companies Act Sec 204 & Reg 24A of Listing Regulations	SEBI Circular Feb 08, 2019
APPLICABILITY	Listed Companies + Material Unlisted Subsidiaries + Unlisted Cos on basis of threshhold	Listed Companies whose equity are listed
REPORTING PERIOD	Forms part of Board Report	Within 60 days of FY i.e, by May 30, 2019
Audit by	PCS/ PCS Firm	PCS/ PCS Firm
Format	MR-3	Annexure A to SEBI circular

Regulation 29- Prior Intimations of Board Meeting

For Financial Results

At least 5 days advance notice

For Corporate Actions

At least 2 working days

For Record Date- Reg 42

At least 7 working days

For alteration in the date of payment of interest or nomenclature of the specified securities

At least 11 working days 'advance notice

Cost of Non- Compliance

Rs. 10,000 per instance of non-compliance per item

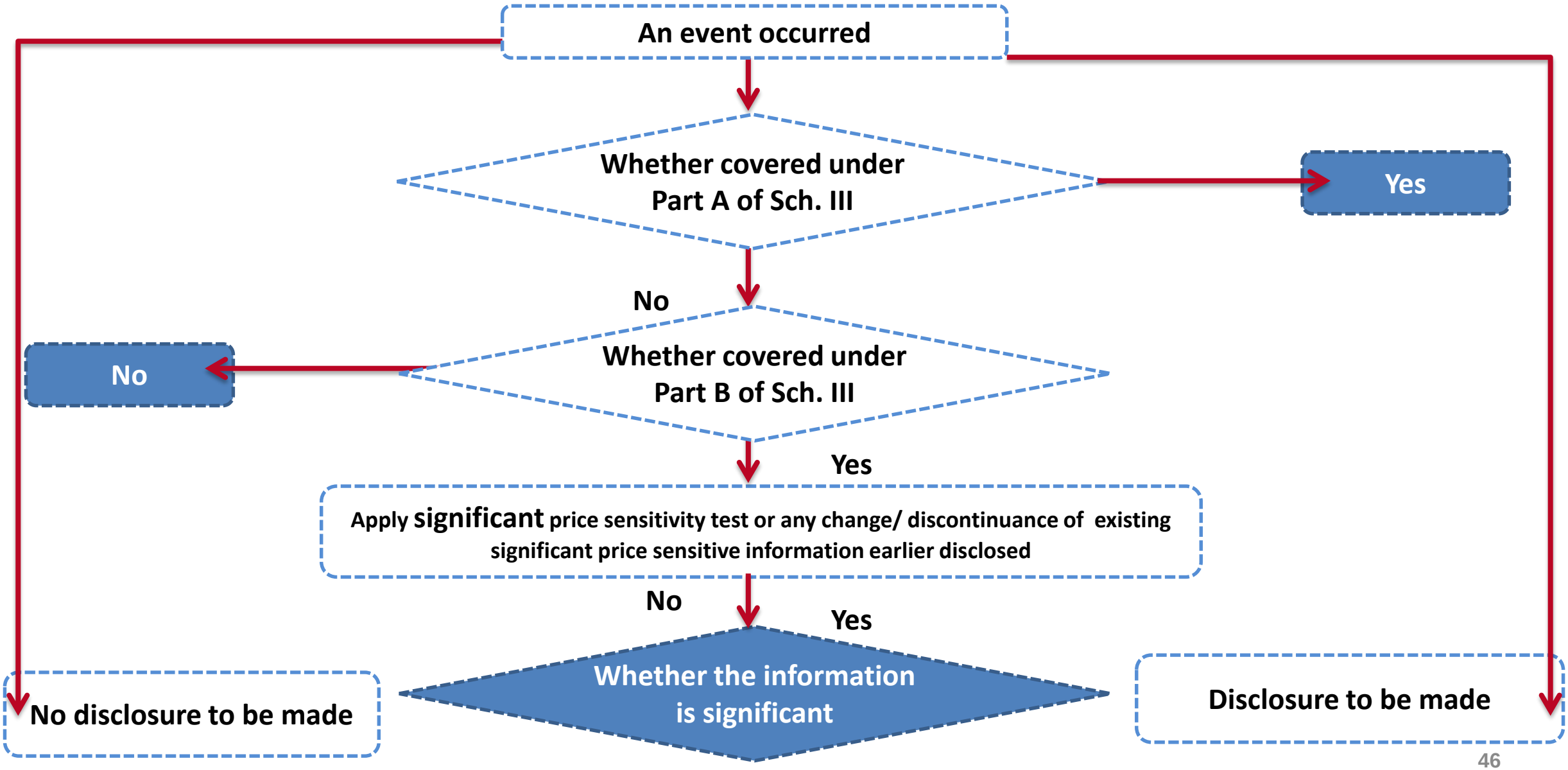
Regulation 30: Disclosure of events or information

Every Listed Entity is needed to ensure timely and accurate disclosures of such Events or Information which in the opinion of Board is material.

- The Board to authorize one or more KMPs for the purpose of determining materiality of an event or information and making disclosures to the stock exchange.

- The Listed Entity is required to frame a **Policy For Determination Of Materiality Of Events**, duly approved by the Board of Directors of such entity.

Material Event



Material Events- Wider Scope

The term material events is used in a wider sense in these regulations.

On one hand certain events are mandated in the schedules (Part A of Sch III) and on the other hand onus is on the companies to frame a policy on materiality of events and disclose the same to the stock exchanges (Part B of Sch III) in addition to the events specified in the schedules.

Policy for Determination of Materiality shall prevail in

BASIC CRITERIA FOR DETERMINING MATERIALITY.

Policy for Determination of Materiality shall be a deciding a factor

- ANY ACT/ OMISSION which is likely to INFLUENCE THE COMMERCIAL AND ECONOMIC DECISIONS of the stakeholders; or
- ANY ACT RESULTING IN DISCONTINUITY/ALTERATION of an event or information already available publicly; or
- ANY ACT/ OMISSION which if comes into limelight at a future date would result in SIGNIFICANT MARKET REACTION;
- In addition to the above, materiality of the transactions may be determined on the basis of following parameters:
  - ✓ On the basis of the Net worth of the company
  - ✓ On the basis of Turnover of the Company
  - ✓ On the basis of % age of Total Assets/ Liabilities of the Company.

Food for Thought!!!

Ques 1: X Ltd proposes to install a Plant in Sikkim. For which Stock exchanges were duly informed. After some years State approved that project. Whether such news is intimated to the Stock Exchanges?

Ans: Yes, As per Reg 30, any material development is also required to be disclosed on continuous basis.

Ques 2: CFO of X Ltd. Gives resignation by dropping a mail to Compliance Officer (CO) of the Company on 07.3.2019. However, CO of the Company is out of town for 2 days and has not access his e-mails.

Will there be non- compliance of dissemination of such information within 24 hours of occurrence of event?

Ans: No, Material event will deemed to occur as and when it comes into the knowledge of KMP authorized under this Regulation. Further, as mentioned in the Material Policy of the Company.

Ques 3: Co.X, a listed company proposes to acquire another big brand/ sell a unit, its Board discusses the Proposal on a preliminary basis, but the same is subject to Due Diligence? When to intimate to SEs after this 1st Board Meeting itself or upon receipt of Due Diligence Report or signing of Term Sheet?

Ans: Ideally, after the 1st BM, only a brief intimation on a no name basis, and upon signing of Term Sheet, detailed Disclosure u/r 30 to be given

Regulation 31: Holding of Specified Securities and Shareholding Pattern

Filing of Statement showing holding of securities and Shareholding Pattern to Stock Exchange

Quarterly Basis

within 21 days from the end of **respective quarter**.

Event Based

(in case of change in capital structure >2%)

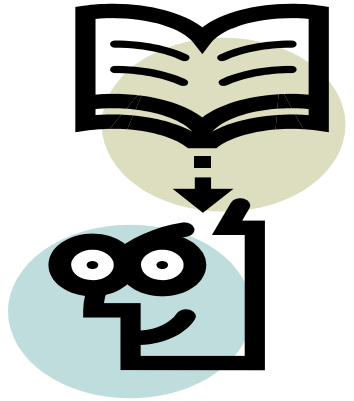
within 10 days of such change.

POINTS TO PONDER

1. **PAN based consolidation** mandatory for Promoter as well as Public category

2. **Segregation of Promoter and Promoter Group separately in the SHP.**

3. **No physical transfers w.e.f., 01.04.2019**



PRACTICAL ISSUE

Mr. X, being the promoter of ABC Ltd, holding 10,000 shares in ABC Ltd, transferred his entire shareholding to Mrs. X on January 15, 2019.

Will the Company will include the name of Mr. X in the SHP to be filed March 31, 2019 Quarter?

Reg 31A: Reclassification of Promoters

Pre-conditions to seek Reclassification

1

For the Listed entities

- Compliance with Regulation 38 (Minimum Public Shareholding);
- Trading in the securities are not suspended;
- No outstanding dues to SEBI, stock exchanges or the depositories.

For Promoter/ persons related to promoter, seeking reclassification:

- Not a wilful defaulter as per RBI Guidelines;
- Not a Fugitive Economic Offender.

Procedure to be followed

2

i. Promoter(s) to make an application to listed entity for re-classification;

ii. BOD to analyze such request for reclassification;

After 3 months and not later than 6 months

iii. BOD to seek shareholders' approval via Ordinary Resolution, wherein the Promoter seeking reclassification alongwith the persons related with him shall restrain from voting;

Within 30 days of shareholders' approval

iv. Filing of Reclassification Application with the stock exchange(s)

STEP 3: Post- Reclassification Conditions- Applicable to Promoter(s) along with

3

"persons related to promoter(s)".

i. Shall not hold more than 10% voting rights.

ii. Shall not exercise control over the affairs of such listed entity, directly or indirectly.

iii. Shall not have any special rights through formal / informal arrangements including shareholders agreements.

iv. Shall not be allowed to have any representation on the board of such listed entities (including nominee director)

New concept of *persons related to promoter(s)* has been introduced, which shall include persons falling under pt. (ii), (iii) and (iv) of the definition of "Promoter Group" i.e., in relation to outgoing promoter, broadly would inter alia include immediate relatives of such promoter, any company or firm in which such promoter or holds 20% or more capital of the capital or profits, as the case may be.

What Amendment Regulations, 2018 say?

Reg 33: Financial Results

FINANCIAL RESULTS- w.e.f. 01.04.2019

CONSOLIDATED RESULTS

Submission of **Consolidated Quarterly**/ Year to date results **now made mandatory [earlier optional]**

- Regulation 33(3)(b)

For consolidation - **AS 21** to be followed for limited review of the audit

- Regulation 33(8)

At least 80% of the Consolidated quarterly revenue, assets and profits shall be subject to audit / limited review

- Regulation 33 (3)(h)

FINANCIAL RESULTS

Cash flow statement to be submitted along with **half yearly** financial results to the Stock Exchange(s)

- Regulation 33(3)(g)

Details of **aggregate effect of material adjustments** (pertaining to earlier periods) made in the results of last quarter to be submitted to the Stock Exchange(s).

- Regulation 33(3)(i)

Management shall not be required to quantify impact of the qualification of Auditor on matters like going concerns / sub-judice matters and shall provide necessary explanation for review and reporting by auditor

- Schedule IV part A (BB) read with Regulation 33(1)(e)

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What Amendment Regulations, 2018 say?

DISCLOSURE IN ANNUAL REPORT

Applicable for Annual Report for the FY ended March 31, 2019

Regulation 34: Annual Report

Erstwhile provision: The listed company is required to submit the Annual Report to the Stock Exchange within 21 working days of it being approved and adopted in the Annual General Meeting.

WEF 1st Aprl 19, to be submitted to the SEs within 1 day of dispatch to shareholders

ANNUAL REPORT DISCLOSURES

Utilization of funds raised through preferential allotment or qualified institutions placement until the funds are fully utilized

- Regulation 32(7A) Statement of deviation(s) or variation(s)

Transaction with any person or entity belonging to the promoter/ promoter group holding 10% or more shareholding

- Schedule V Part A – Scope of disclosure of transaction with promoter / promoter group widened

Under Management Discussion and Analysis – change of 25% or more in key financial ratios

- Disclosure under Schedule V Part B – Additional disclosure requirement

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ANNUAL REPORT DISCLOSURES

Names of listed entities where Director of the company is a director and the category of directorship

- Schedule V Part C – Scope of disclosure w.r.t. directorships held widened

Chart or a matrix setting out the core skills/expertise/competence of the Board of Directors as identified by the Board

- As required in the context of its business(es) and sector(s) for it to function effectively

Detailed reasons for the resignation of an Independent Director (ID)

- In case of resignation before expiry of term
- Confirmation by the ID that there are no other material reasons

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ANNUAL REPORT DISCLOSURES

List of credit ratings obtained along with revisions during the FY

- Of all debt instruments, any fixed deposit programme
- Any scheme or proposal involving mobilization of funds (in India or abroad)

PCS Certificate as to none of the Directors are being debarred / disqualified

- Disqualification by SEBI/MCA or any such statutory authority

Total fees paid by listed entity along with subsidiaries to the Statutory Auditor- disclose on consolidated basis

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STATUTORY AUDITORS

w.e.f., 01-Apr-19

DISCLOSURE- AUDITORS

Appointment/ Re-Appointment

Disclosure in Shareholders Notice

- **Proposed fees payable.**
- **Any material change in the fee** as compared to outgoing Auditor.
- **Basis of recommendation** for appointment.

Total fees to the Statutory Auditor

Disclosure in Annual Report

- **Proposed fees payable along with the rationale for any material change in fees as against the fee payable to outgoing auditor**

Resignation

Disclosure to Stock Exchange(s)

- **Detailed reason** which led to resignation of auditor has to be furnished.

Annual General Meeting-

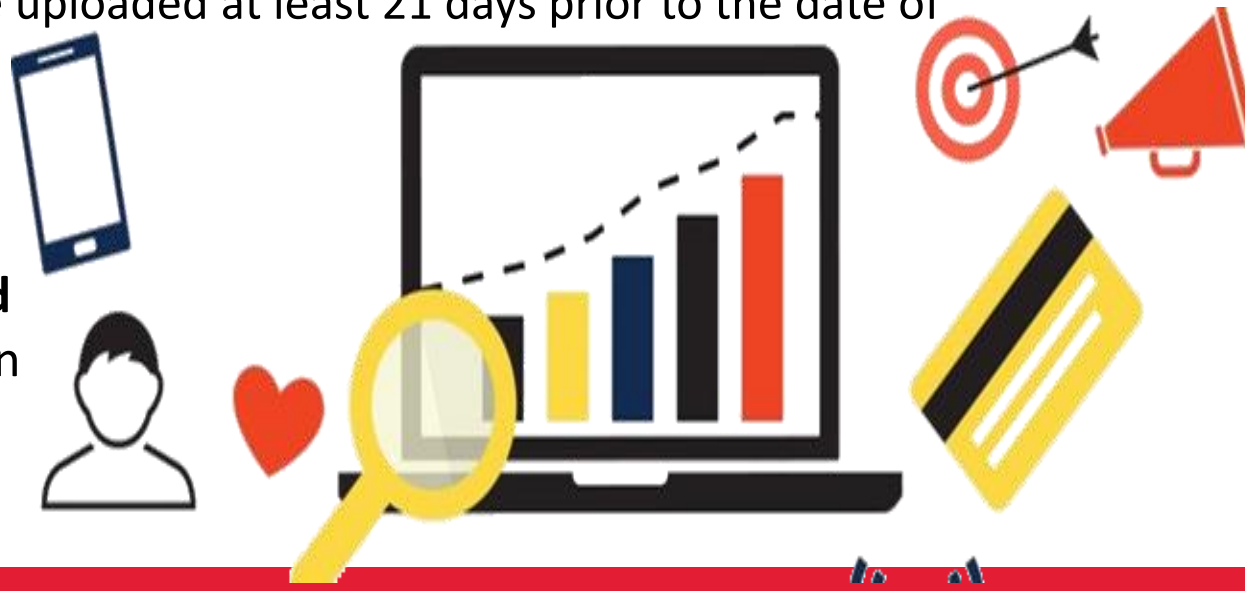
Applicable to Top 100 (Mkt Cap) Listed Entities

Holding Annual General Meetings within a period of 5 months from the date of closing of the FY.

Providing one-way live webcast of the proceedings of all shareholder meetings.

Website

- All information under Reg 46 (2) shall disclosed on the website under a separate head **w.e.f., 01-Apr-19**
- Audited Financials Subsidiary Companies to be uploaded at least 21 days prior to the date of the AGM of that financial year **w.e.f., 01-Apr-19**
- All credit ratings obtained by the entity for **all its outstanding instruments**, **to be updated immediately** as and when there is any revision **w.e.f., 01-Oct-18**



Non- Compliance

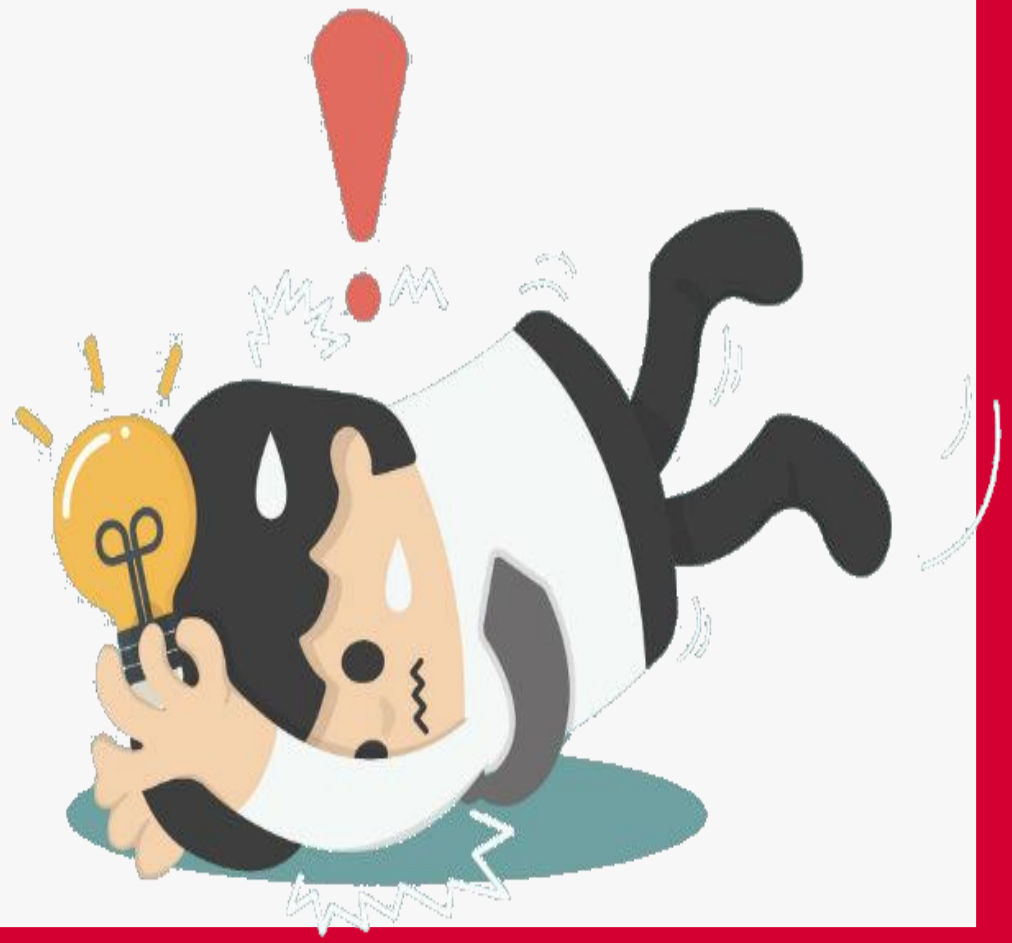
Regulation	Fine
Regulation 46 Non-compliance with norms pertaining to functional website	Rs. 10,000 per instance
Regulation 34 Non-submission of the Annual Report	Rs. 2,000 per day
Regulation 33 Non-submission of the financial results	5,000 per day

ONLY This is the cost of Non- Compliance!?

NO

That was only the

Action of FIRST RESORT !!



In Case of Continued Non- Compliance

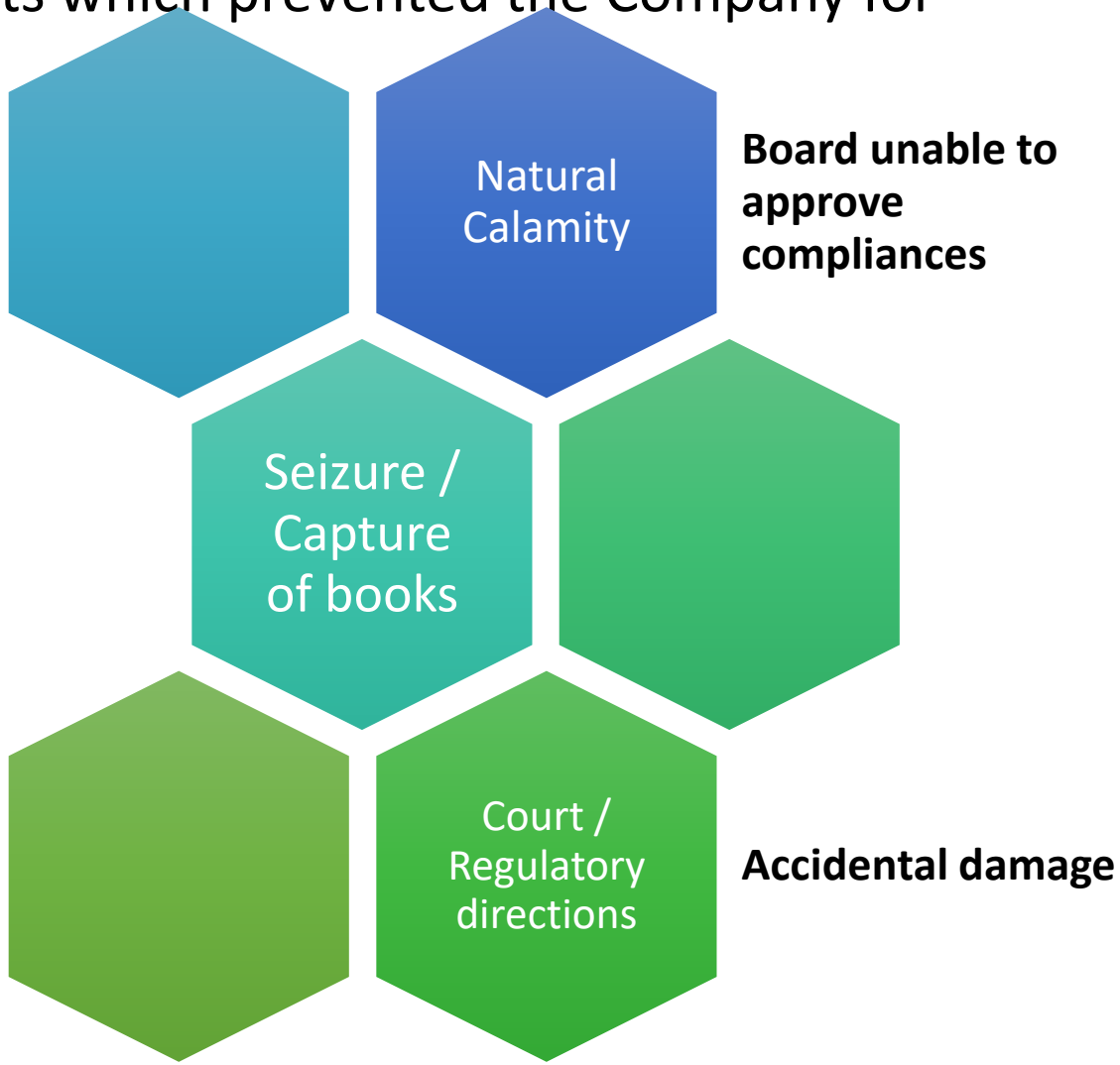
Stock Exchanges have been granted the power to

- Suspension in Trading of Securities
- Freezing of Entire Promoter Shareholding
- Dissemination of such information by stock exchange in Public Domain
- Shifting securities to “Z” category- ‘Tade to Trade’ Category
- Trading in shares of the Listed Entity is under 'suspension and trade to trade basis' and trading shall stop completely if the Listed Entity remains not compliant for six months

CARVE OUT POLICY SAY?

Carve Out Policy provides for general principle for considering a company's case for waiver of penalty. It provides for indicative list of events which prevented the Company for Compliance with Listing Regulations.

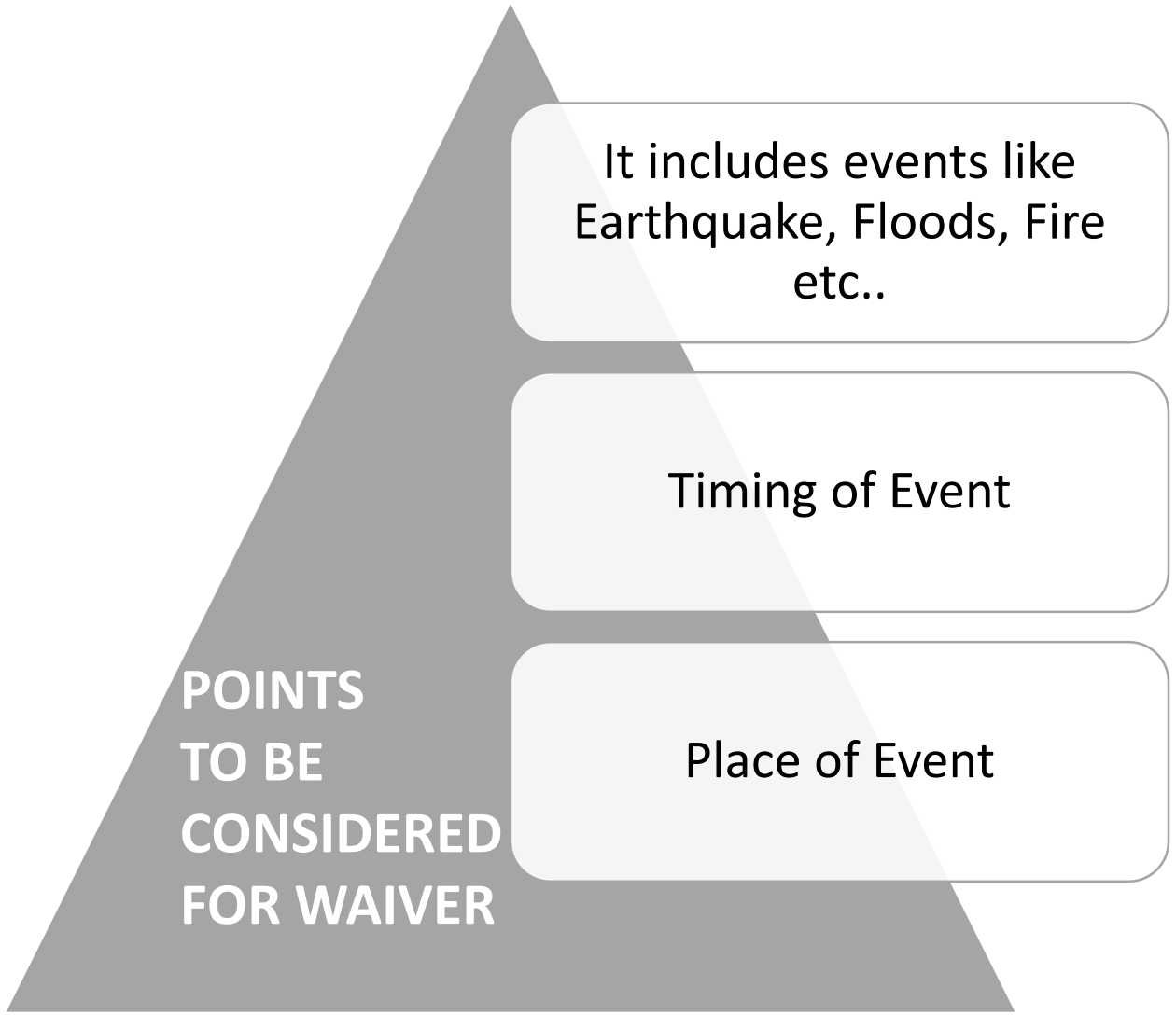
INDICATIVE LIST OF EVENTS



Pre- Requisites for seeking Waiver/ Reduction of fine

- Disclosure of Event as soon as practically possible
- No pending compliance
- Supporting Documentary Evidence
- Impact Assessment Report of the Event certified by CS
- Impact Assessment Report of the Event certified by Stat Auditor- in case of impact on financials

1. Natural Calamity (Act of GOD)



2. Seizure / Capture of books / computers etc., by regulatory / statutory authorities

The seizure / capture should have occurred during the periods/quarters under review.

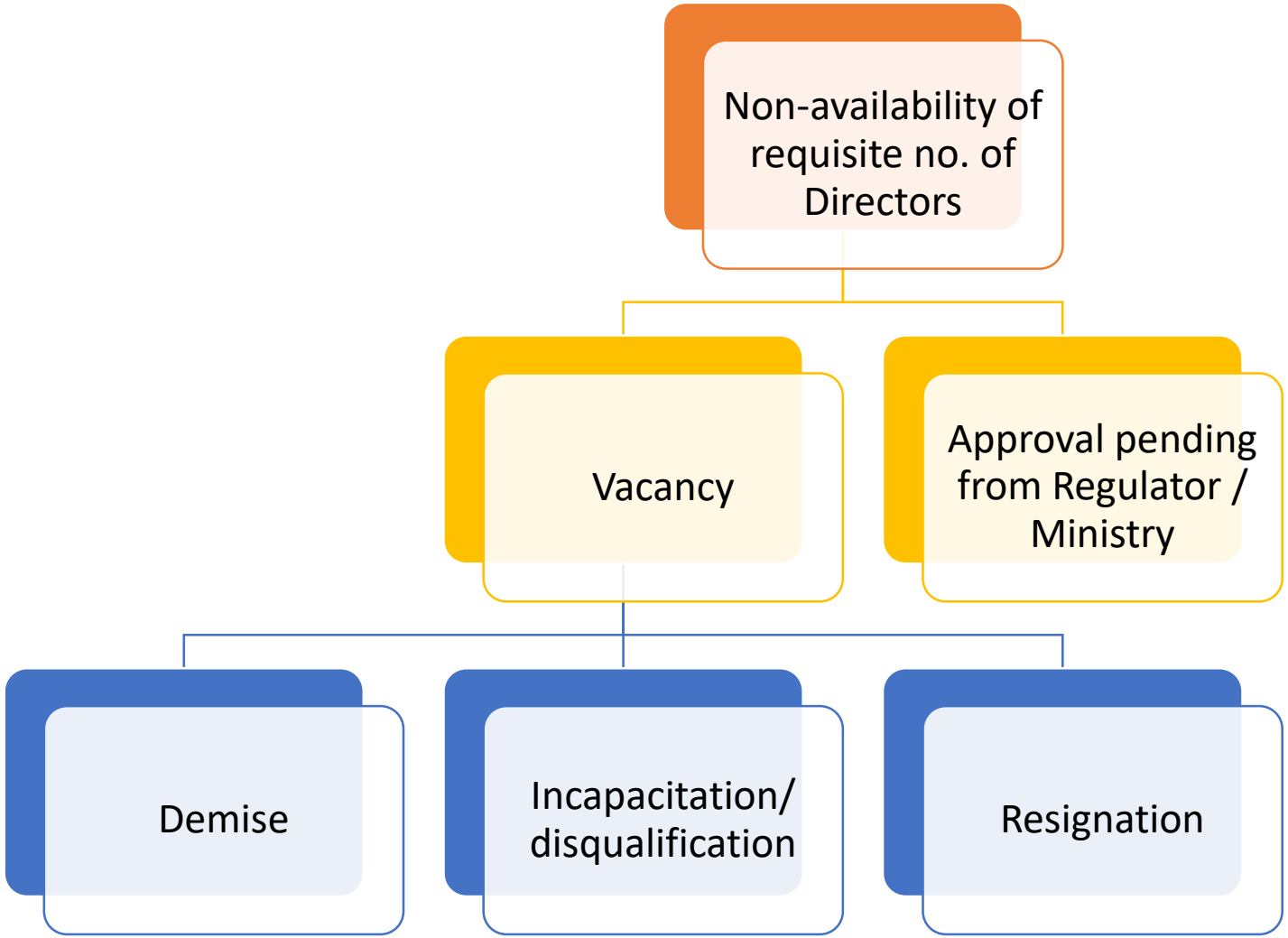
3. Accidental damage

e.g. Strikes, Lockouts

4. Court / Regulatory directions that resulted or prevented or exempted the disclosure required to be made or fines required to be paid.

Would include companies which have obtained BIFR/NCLT order exempting the companies from paying fines. Companies where the Order of Appointment of Provisional / Official Liquidator has been issued

5. Board unable to approve compliances



These situations may have arisen earlier than the period under review.

DO YOU THINK COMPLIANCE IS EXPENSIVE??

TRY NON- COMPLIANCE

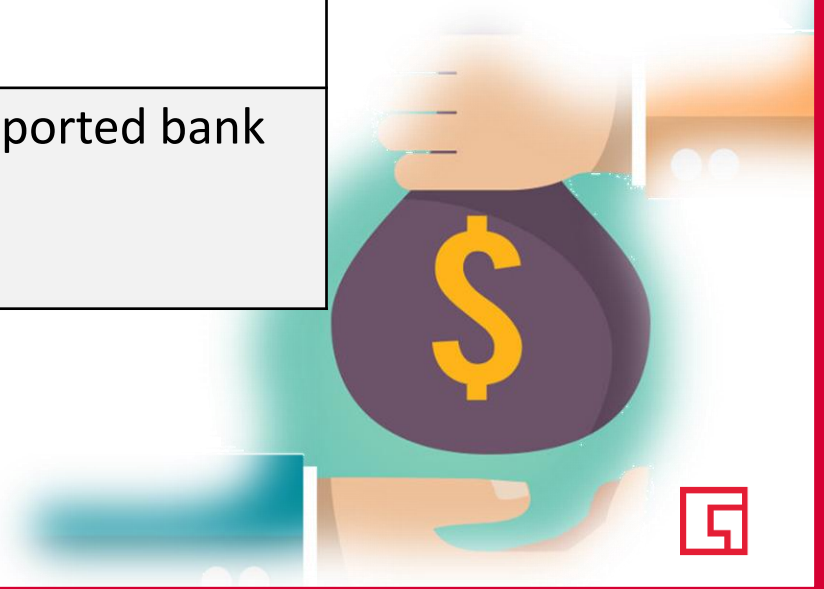
ISSUANCE OF DEBT SECURITIES

MANDATORY FUND RAISING BY LARGE CORPORATES

APPLICABLE TO "LARGE CORPORATE"

The "Large Corporate (LC)" means any listed entity, which **fulfills all the criteria**, as mentioned below, as on the end of FY i.e**, as on March 31, 2019/ December 31, 2019:**

CRITERIA I	Equity Shares/ Debenture/ Preference Share of the entity are listed on the stock exchange(s) in terms of Listing Regulations, 2015; and
CRITERIA II	Long Term Borrowing >= Rs. 100 crores; and
CRITERIA III	Credit Rating of "AA and above" assigned by an unsupported bank borrowing or plain vanilla bonds



MINIMUM DEBT FUNDING

MINIMUM DEBT FUNDING

Minimum 25% of the long terms borrowings during the FY (Incremental borrowings) are to be raised by way of issuance of Debt Securities

"Incremental borrowings" have been defined as any borrowing done **during a particular FY**, of original **maturity of more than 1 year**, irrespective of whether such borrowing is for refinancing/repayment of existing debt or otherwise and shall exclude external commercial borrowings and inter-corporate borrowings between a parent and subsidiary(ies).

DISCLOSURE REQUIREMENTS TO THE EXCHANGE(S)

Stage of Disclosure	Pertaining to	Timeline	Remarks
Stage I- Beginning of the FY	Identification as LC as on April 1 of FY	**Within 30 days** from the beginning of FY	✓ **To be certified by CFO & the CS;** ✓ **Shall also form the part of Annual Audited Financial Results**
Stage II- End of the FY	Incremental Borrowings done during the FY	**Within 45 days** from the end of FY	

PENALTY

Particulars	FY 2019- 20	FY 2020- 21	FY 2021- 22 and onwards
Non-compliance/ Shortfall	Reasons to be provided to the Stock Exchange(s)	Reasons to be provided to the Stock Exchange(s)	**Fine @ 0.2% of the shortfall** in the borrowed amount to be paid to the stock exchange(s), to be further deposited in SEBI IPEF Fund.

Why a NCD Issue?

Suitability:

- Suitable for Listed as well as Unlisted Companies- Private or Public;
- Best suited for high fund requirement projects esp. Infrastructural Companies.

Investors: Banks and Institutional Investors invest in NCDs

Liquidity: Listed NCDs provide Liquidity to the Investors, who can exit from through Stock Exchanges, rather than being mandatorily redeemed.

Tax Savings: Interest payable on NCDs is a tax deductible expense.

Less Compliances: The companies coming out with an NCD issue do not have to go through cumbersome compliances as in the case of equity related securities.

Enhanced Visibility: The Company by listing its securities on the stock exchanges, comes in the public domain which increases its visibility in the capital market.

Control Intact: While issuing NCDs there is no change in control of the company. The management of the remains intact. However, in case of equity related securities there are always chances of dilution of control.

Because of above mentioned factors, NCDs have caught the fancy in recent quarters & opportunities that this route presents going forward.

Corporate Professionals

Thank you

Ms. Anjali Aggarwal

Partner & Head-Capital Market & Stock Exchange Services

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