

# Info Capsule

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THE INSTITUTE OF  
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

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## **1. Modification of circular dated July 18, 2017 on 'Disclosure of divergence in the asset classification and provisioning by banks' (Circular No. CIR/CFD/CMD1/79/2019 dated July17, 2019)**

Vide Circular No. SEBI/CIR/CFD/CMD/80/2017 dated July 18, 2017, it was specified that banks which have listed specified securities shall disclose to the stock exchanges, divergences in the asset classification and provisioning wherever the additional provisioning requirements assessed by RBI/ the additional Gross NPAs identified by RBI exceeded a certain threshold.

In line with the revised RBI requirements, all banks which have listed specified securities shall disclose to the stock exchanges divergences in the asset classification and provisioning, if either or both of the following conditions are satisfied:

- a) the additional provisioning for NPAs assessed by RBI exceeds 10 per cent of the reported profit before provisions and contingencies for the reference period, and
- b) the additional Gross NPAs identified by RBI exceed 15 per cent of the published incremental Gross NPAs for the reference period.

The detailed circular is available at : [https://www.sebi.gov.in/legal/circulars/jul-2019/disclosure-of-divergence-in-the-asset-classification-and-provisioning-by-banks\\_43594.html](https://www.sebi.gov.in/legal/circulars/jul-2019/disclosure-of-divergence-in-the-asset-classification-and-provisioning-by-banks_43594.html)

## **2. Procedure and formats for limited review / audit report of the listed entity and those entities whose accounts are to be consolidated with the listed entity (Circular No. CIR/CFD/CMD1/80/2019 dated July19,2019)**

SEBI, on March 29, 2019 issued a Circular No. CIR/CFD/CMD1/44/2019 on the above mentioned subject. Annex 2 to the said circular contains the formats for audit report and limited review report.

Subsequent to the issue of said circular, the Institute of Chartered Accountants of India (ICAI) had now revised the SA 700, based on which Exhibits C2, B2, C4, B4, C5 and B5 of Annex 2 to the circular were issued. Accordingly, the aforementioned audit report formats need were required to be aligned with SA 700 (Revised) and some other updates with respect to the limited review report (i.e. Exhibits C1 and B1 of Annex 2 to the circular).

In partial modification of the said Circular, Exhibits C1, B1, C2, B2, C4, B4, C5 and B5 of Annex 2 to the first Circular shall be replaced by Exhibits C1, B1, C2, B2, C4, B4, C5 and B5 of Annex 1 to this Circular.

This Circular shall be applicable with respect to the financial results for the quarter ending September 30, 2019 and after.

The detailed circular is available at : [https://www.sebi.gov.in/legal/circulars/jul-2019/procedure-and-formats-for-limited-review-audit-report-of-the-listed-entity-and-those-entities-whose-accounts-are-to-be-consolidated-with-the-listed-entity\\_43616.html](https://www.sebi.gov.in/legal/circulars/jul-2019/procedure-and-formats-for-limited-review-audit-report-of-the-listed-entity-and-those-entities-whose-accounts-are-to-be-consolidated-with-the-listed-entity_43616.html)

**3. *Standardizing Reporting of violations related to Code of Conduct under SEBI( Prohibition of Insider Trading)Regulation, 2015 (Circular No. SEBI/HO/ISD/CIR/P/2019/82( dated July 19, 2019)***

In terms of Regulation 9(1) and 9(2) of SEBI( Prohibition of Insider Trading)Regulations, 2015, The Board of Directors of every listed company and the Board of Directors or heads of the organization of every intermediary and fiduciary are required to formulate a Code of Conduct and promptly inform SEBI about any violations of the Code of Conduct in accordance with Clause 13 Schedule B (in case of listed Company) or Clause 1 of Schedule C (in case of an intermediary or fiduciary) of the Regulations as possible.

In compliance with the above requirement, SEBI has been receiving various references from listed companies regarding violations related to Code of Conduct under the Regulations. Many such references provide incomplete or inadequate details about the nature of violation.

With an objective to standardize the process relating to dealing with such violations of the Code of Conduct, all listed companies, intermediaries and fiduciaries shall:

- a) Report such violations by the designated persons and immediate relatives of designated persons in the standardized format to SEBI in a specified format.
- b) Maintain a database of the violation of code of conduct by designated persons and immediate relatives of designated persons that would entail initiation of appropriate action against them.

The detailed circular is available at : [https://www.sebi.gov.in/legal/circulars/jul-2019/standardizing-reporting-of-violations-related-to-code-of-conduct-under-sebi-prohibition-of-insider-trading-regulations-2015\\_43618.html](https://www.sebi.gov.in/legal/circulars/jul-2019/standardizing-reporting-of-violations-related-to-code-of-conduct-under-sebi-prohibition-of-insider-trading-regulations-2015_43618.html)