SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

In 2014, SEBI had taken a decision to consolidate and streamline the provisions of existing listing agreements in respect of listed securities. On 2nd September 2015, SEBI notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

A period of 90 days had been given for implementing the above regulations. However, 2 provisions of the regulations, which are facilitating in nature, were applicable with immediate effect (i.e. from 2nd September 2015). These pertain to:

- Passing of ordinary resolution instead of special resolution in case of all material related party transactions subject to related parties abstaining from voting on such resolutions, in line with the provisions of the Companies Act, 2013 and
- Re-classification of promoters as public shareholders under various circumstances.

All other provisions are applicable from 1st December 2015.

Subsequently, SEBI has issued various circulars pertaining to the Listing Regulations. They are-

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<th>Dated</th>
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<tr>
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<td>27th November 2015</td>
<td>▲ Format for financial results (FR) for listed entities which have listed their debt instruments and /or non-cumulative redeemable preference shares</td>
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<td>▲ Format for statements/reports to be submitted to Stock Exchange(s) by listed entity which has listed its securitised debt instruments</td>
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<td></td>
<td>▲ Issue of No Objection Certificate for release of 1% of issue amount</td>
</tr>
</tbody>
</table>

The above circulars are applicable from 1st December 2015.
Highlights of the Listing Regulations and the related circulars

Listing Regulations

Applicability

♦ These regulations will apply to the listed entity who has listed any of the following designated securities on recognised stock exchange(s)-
  ▲ specified securities listed on main board or SME Exchange or institutional trading platform;
  ▲ non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares;
  ▲ Indian depository receipts;
  ▲ securitised debt instruments;
  ▲ units issued by mutual funds;
  ▲ any other securities as may be specified by SEBI

Features

♦ The Listing Regulations have been sub-divided into 2 parts i.e.
  ▲ substantive provisions incorporated in the main body of Regulations;
  ▲ procedural requirements in the form of Schedules to the Regulations.

♦ Chapter II of the Listing Regulations provides principles governing disclosures and obligations of listed entity. In case of any ambiguity or incongruity between the principles and relevant regulations, the principles specified in this Chapter will prevail.

♦ Chapter III specifies common obligations of listed entities. The listed entity should ensure that key managerial personnel, directors, promoters or any other person dealing with the listed entity, complies with responsibilities or obligations, if any, assigned to them under these regulations. However, Regulations 6,7,8 will not be applicable to the units issued by Mutual Funds which are listed on the recognised Stock Exchange(s).

♦ Chapter IV to IX deals with obligations of listed entity which has listed its specified securities, convertible debt securities or non-convertible redeemable preference shares or both, non-convertible debt securities or non-convertible redeemable preference shares or both, Indian Depository Receipts, securitised debt instruments, mutual fund units)

♦ Chapter X and XI deals with duties and obligations of the recognised stock exchange(s). The recognised stock exchange(s) should also monitor adequacy/ accuracy of the disclosures made by listed entity with respect to provisions of these regulations and take action for non-compliance

♦ Wherever necessary, the provisions in Listing Regulations have been aligned with those of the Companies Act, 2013. One such similarity is that - all material related party transactions should
require approval of the shareholders through resolution and the related parties should abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

- A listed entity which has previously entered into agreement(s) with a recognised Stock Exchange(s) to list its securities is required to execute a fresh listing agreement with such Stock Exchange by 1st March 2016 (within 6 months of the date of notification of the Listing Regulations). (http://www.sebi.gov.in/cms/sebi_data/attachdocs/1444737188833.pdf)

- On and from the commencement of these regulations, all circulars stipulating or modifying the provisions of the listing agreements including those specified in Schedule X, should stand rescinded.

- SEBI has granted one-time relaxation to listed entities which have exercised the option of preparing Consolidated Financial Statements under IFRS in the 1st quarter of the Financial Year (FY) 2015-16, from the following requirements of Regulation 33(1) (c) of the Listing Regulations for the quarter ending 31st December 2015 and quarter and FY ending 31st March 2016-  
  - The FR for the quarters ending December 2015 and March 2016 and year ending March 2016 may be filed under IFRS by such listed entities, as per the dates specified in the Listing Regulations  
  - The relaxation granted is without any prejudice to the requirements of the Companies Act, 2013 w.r.t. the reporting of Financial Statements (http://resource.cdn.icai.org/39909asb29527.pdf)

**Exemptions**

There are certain exemptions listed in Regulation 15 (Chapter IV –Obligations of listed entity which has listed its specified securities)

The compliance with the corporate governance provisions as specified in the following regulations:

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### 46(2) clauses (b) to (i)

<table>
<thead>
<tr>
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| V para C,D,E | Annual Report –  
- C-Corporate Governance Report  
- D-Declaration signed by the chief executive officer stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management  
- E-Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance should be annexed with the directors' report. |

**Will not apply to** –

- The listed entity having –  
  - paid up equity share capital not exceeding Rs. 10 crore and  
  - net worth not exceeding Rs. 25 crore,  
  as on the last day of the previous FY  
  Provided that where the provisions of the regulations specified in this regulation becomes applicable to a listed entity at a later date, such listed entity should comply with the requirements those regulations within 6 months from the date on which the provisions became applicable to the listed entity.
- The listed entity which has listed its specified securities on the SME Exchange.  
  Provided that for other listed entities which are not companies, but body corporate or are subject to regulations under other statues, the exemptions pertaining to provisions of corporate governance mentioned above will apply to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant authorities.

The provisions of Companies Act, 2013 should continue to apply, wherever applicable.


### Format for Business Responsibility Report

Regulation 34 of the Listing Regulation states that the listed entity should submit the Annual Report to the stock exchange within 21 working days of it being approved and adopted in the Annual General Meeting as per the provisions of the Companies Act, 2013.

As per clause (f) of sub regulation (2) of the Regulation 34, the Annual Report should contain a Business Responsibility Report describing the initiatives taken by the listed entity from an environmental, social and governance perspective, in the format as specified by SEBI.
Accordingly, listed entities should be guided by the format as per Annexure I and certain key principles to assess the fulfillment of listed entities and a description of the core elements under these principles are detailed at Annexure II of the above circular.


**Format for FR for listed entities which have listed their debt instruments and/or non-cumulative redeemable preference shares**

Regulation 52 of the Listing Regulation states that –

The listed entity should prepare and submit un-audited or audited FR on a half yearly basis in the format as specified by SEBI within 45 days from the end of the half year to the recognised stock exchange(s).

This circular specifies the various formats –

- The half yearly FR should be presented in the format prescribed at **Annexure I** for companies other than banks and Non-Banking Financial Companies (NBFCs)
- The half yearly FR should be presented in the format prescribed at **Annexure II** for Banks and NBFCs.
- Manufacturing, trading and service companies, which have followed functional (secondary) classification of expenditure in the annual Profit And Loss Account published in the most recent annual report or which proposed to follow such classification for the current FY may furnish the half-yearly FR in the alternative format given in **Annexure III** (i.e. alternative format). However it may be noted that the alternative format can be used only if such format is used consistently from the first half-year of the FY.
- The limited review report should be presented in the format prescribed at **Annexure IV** for companies other than banks and NBFCs
- The limited review report should be presented in the format prescribed at **Annexure V** for Banks and NBFCs.
- Annual audited FR should be in the format as is applicable to half yearly financial results.

Regulation 52(3)(a) prescribes that the listed entity should submit audited FR along with either Form A (for audit report with unmodified opinion) or Form B (for audit report with modified opinion). The Listed Entity should submit form A or form B in formats as prescribed under regulation 33(4) of Listing Regulations.

Format for statements/reports to be submitted to Stock Exchange(s) by listed entity which has listed its securitised debt instruments

Regulation 82(3) of the Listing Regulation states that -

The listed entity should submit such statements, reports or information including financial information pertaining to Schemes to stock exchange within 7 days from the end of the month/actual payment date, either by itself or through the servicer, on a monthly basis in the format as specified by SEBI Board from time to time.

Accordingly, formats for statements/reports as per the Annexure I to this circular are being prescribed which requires the listed entity to provide pool level, tranche level and loan level details.


Schemes of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957

The Listing Regulation places obligation with respect to Scheme of Arrangement on listed entities and stock exchange(s) in Regulation 11, 37 and 94. Sub-rule (7) of Rule 19 of the Securities Contracts (Regulation) Rules, 1957 (SCRR) provides that SEBI may, at its own discretion or on the recommendation of a recognised stock exchange, waive or relax the strict enforcement of any or all of the requirements with respect to listing prescribed by these rules.

Thus the additional requirements in order to achieve the intent of regulations 11, 37 and 94 and for availing exemption under sub-rule (7) of rule 19 of SCRR, if applicable are placed at Annexure-I of this circular.


Formats for publishing financial results

Regulation 33 of the Listing Regulations has prescribed various disclosures to be filed under various provisions contained therein in the formats as may be specified by SEBI. The formats have been given in Annexures to the above circular. They are-

▲ The quarterly FR should be presented in the format prescribed at Annexure I for companies other than banks and that prescribed at Annexure II for banks.
▲ Manufacturing, trading and service companies, which propose to follow functional (secondary) classification of expenditure in the annual profit and loss account, should furnish quarterly FR in
the alternative format prescribed at **Annexure III**. The alternative format should be used only if such format is used consistently from the first quarter of the FY.

- If the company has more than one reportable primary segment in terms of Accounting Standard (AS) 17/ Indian Accounting Standard (Ind-AS) 108 mandated under Section 133 of the Companies Act, 2013 read with rules framed thereunder or issued by ICAI, it should also submit quarterly and annual segment information as part of FR in the format given in **Annexure IV**.

- Limited review reports should be given by auditors in the format prescribed in **Annexure V** for companies other than banks (including those using the alternative format of financial results) and in the format given in **Annexure VI** for banks.

- In case of audited financial reports, the audit report should be given by the auditors in the format given in **Annexure VII** for companies other than banks (including those using the alternative format of financial results) and in the format given in **Annexure VIII** for banks.

- Half-Yearly Statement of Assets and Liabilities should be in the format specified in **Annexure IX** drawn from Schedule III of the Companies Act, 2013 or its equivalent formats in other statutes, as applicable.

- The Form A (for audit report with unmodified opinion) and Form B (for audit report with modified opinion) should be filed in the format specified in **Annexure X**.

- The FR published in the newspapers in terms of Regulation 47(1)(b) should be in the format prescribed in **Annexure XI**.

While preparation of the financial results, the following should be noted-

- Annual audited FR should be in the format as is applicable to quarterly FRs. However, columns and figures relating to the last quarter, year to date results and corresponding 3 months in previous year may not be disclosed.

- The applicable ASs are those standards mandated under Section 133 of the Companies Act, 2013 read with the relevant rules issued thereunder/issued by ICAI as applicable.

- The classification / disclosure of items in the FR should be in accordance with the Schedule III of the Companies Act, 2013 or its equivalent formats in other statutes, as applicable.

Companies adopting the Ind-AS in terms of Companies (Ind-AS) Rules, 2015 notified by the Ministry of Corporate Affairs while publishing quarterly/annual FR under Regulation 33 of the Listing Regulations, should ensure that the comparatives filed along with such quarterly/annual FR are also Ind-AS compliant.

Manner of achieving minimum public shareholding

Regulation 38 states that –
The listed entity should comply with the minimum public shareholding requirements specified in Rule 19(2) and Rule 19A of the SCRR in the manner as specified by SEBI from time to time.

The listed entity should adopt the following methods-

- Issuance of shares to public through prospectus;
- Offer for sale of shares held by promoters to public through prospectus;
- Sale of shares held by promoters through the secondary market in terms of SEBI circular CIR/MRD/DP/05/2012 dated 1st February 2012;
- Institutional Placement Programme (IPP) in terms of Chapter VIII A of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- Rights Issue to public shareholders, with promoter/promoter group shareholders forgoing their entitlement to equity shares, that may arise from such issue;
- Bonus Issues to public shareholders, with promoter/promoter group shareholders forgoing their entitlement to equity shares, that may arise from such issue;
- Any other method as may be approved by SEBI on a case to case basis. For this purpose, the listed entities may approach SEBI with appropriate details. SEBI would endeavor to communicate its decision within 30 days from the date of receipt of the proposal or the date of receipt of additional information as sought from the company.


Disclosure of holding of specified securities and Holding of specified securities in dematerialised form

Regulation 31 of Listing Regulations deals with the disclosure of shareholding pattern and manner of maintaining shareholding in dematerialised format.

The circular states the following-

- Manner of representation of holding of specified securities
- Manner of calculation of shareholding
- Formats of disclosure of holding of specified securities
- Holding of specified securities in dematerialised form
- Display of holding of specified securities on website of Stock Exchange(s)

The listed entity should ensure that shareholding of employee trusts and schemes are shown separately in relevant categories in terms of SEBI (Share Based Employee Benefits) Regulations, 2014

Non-compliance with certain provisions of Listing Regulations and Standard Operating Procedure for suspension and revocation of trading of specified securities

As per regulation 97(1) of the Listing Regulations, the recognised stock exchange(s) should monitor compliance by the listed entity with provisions of these regulations.

Sub regulations (1) and (2) of regulation 98 of Listing Regulations inter alia specify liability of a listed entity or any other person for contravention and actions which can be taken by the respective stock exchange and the revocation of such actions, in the manner specified by SEBI.

Accordingly, recognised stock exchanges should use imposition of fines as action of first resort in case of such non-compliances and invoke suspension of trading in case of subsequent and consecutive defaults. Accordingly, in order to maintain consistency and uniformity of approach the recognised stock exchanges should follow the procedure specified in the above circular.


Issue of No Objection Certificate for release of 1% of issue amount

An issuer company is required to deposit 1% of the issue amount of the securities offered to the public and/or to the holders of the existing securities of the company, as the case may be, with the designated stock exchange.

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