

SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 (LISTING REGULATIONS)

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SEBI has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) on September 2, 2015, after following the consultation process. A time period of ninety days has been given for implementing the Regulations. However, two provisions of the regulations, which are facilitating in nature, are applicable with immediate effect. These pertain to (i) 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 (ii) re-classification of promoters as public shareholders under various circumstances.

The Listing regulations would consolidate and streamline the provisions of existing listing agreements for different segments of the capital market viz. Equity (including convertibles) issued by entities listed on the Main Board of the Stock Exchanges, Small and Medium Enterprises listed on SME Exchange and Institutional Trading Platform, Non-Convertible Debt Securities, Non-Convertible Redeemable Preference Shares, Indian Depository Receipts, Securitized Debt Instruments and Units issued by Mutual Fund Schemes. The Regulations have thus been structured to provide ease of reference by consolidating into one single document across various types of securities listed on the Stock exchanges.

The Listing Regulations have been sub-divided into two parts viz., (a) substantive provisions incorporated in the main body of Regulations; (b) procedural requirements in the form of Schedules to the Regulations.

The main features of these regulations are as follows:

- 1. Guiding Principles (Chapter II) :** The regulations start by providing broad principles (in line with IOSCO Principles) for periodic disclosures by listed entities and also have incorporated the principles for corporate governance (in line with OECD principles). These principles underlie specific requirements prescribed in different chapters of the Regulations. In the event of the absence of specific requirements or ambiguity, these principles would serve to guide the listed entities.
- 2. Common obligations applicable to all listed entities (Chapter III) :** Obligations which are common to all listed entities have been enumerated. These include general obligation of compliance of listed entity, appointment of common compliance officer, filings on electronic platform, mandatory registration on SCORES, etc.

3. **Obligations which are applicable to specific types of securities (Chapters III to IX) :** Obligations which are applicable to specific types of securities have been incorporated in separate chapters.
4. **Obligations of stock exchanges and provisions in case of default (Chapters X & XI) :** Stock Exchanges have been given responsibility to monitor compliance or adequacy/accuracy of compliance with provisions of these regulations and to take action for non-compliance.
5. **Ease of Reference :** The related provisions have been aligned and provided at a common place for ease of reference. For example, all clauses dealing with disclosure of events or information which may be material or price sensitive spread across the Listing Agreement have been provided as a schedule to the regulations. All disclosures required to be made on the website of the listed entity have been enumerated at a single place for ease of reference and all requirements pertaining to disclosures in annual report have been combined.
6. **Streamlining and segregation of initial issuance/listing obligations:** In order to ensure that there is no overlapping or confusion on the applicability of these regulations, pre-listing requirements have been incorporated in respective regulations viz. ICDR Regulations, ILDS Regulations, etc. These provisions pertain to allotment of securities, refund and payment of interest, 1% Security Deposit (in case of public issuance), etc. Post-listing requirements have been incorporated in Listing Regulations.
7. **Alignment with provisions of Companies Act, 2013 :** Wherever necessary, the provisions in Listing Regulations have been aligned with those of the Companies Act, 2013.
8. **Listing Agreement-** A shortened version of the Listing Agreement (2 page approximately) will be prescribed which will be required to be signed by a company getting its securities listed on Stock Exchanges. Existing listed entities will be required to sign the shortened version within six months of the notification of the regulations.

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SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015¹

In exercise of the powers conferred by section 11, sub-section (2) of section 11A and section 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with section 31 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) the Securities and Exchange Board of India hereby makes the following Regulations, namely:—

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (1) These regulations may be called the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(2) They shall come into force on the ninetieth day from the date of their publication in the Official Gazette :

Provided that the provisions of sub-regulation (4) of regulation 23 and regulation 31A shall come into force on the date of notification of these regulations.

1. See also **Clarification Two**.

Definitions.

2. (1) In these regulations, unless the context otherwise requires:—

- (a) “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- (b) “associate” shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards :
Provided that this definition shall not be applicable for the units issued by mutual fund which are listed on a recognised stock exchange(s) for which the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 shall be applicable;
- (c) “Board” means the Securities and Exchange Board of India established under section 3 of the Act;
- (d) “board of directors” or “board of trustees” shall mean the board of directors or board of trustees, whichever applicable, of the listed entity;
- (e) “chief executive officer” or “managing director” or “manager” shall mean the person so appointed in terms of the Companies Act, 2013;
- (f) “chief financial officer” or “whole time finance director” or “head of finance”, by whatever name called, shall mean the person heading and discharging the finance function of the listed entity as disclosed by it to the recognised stock exchange(s) in its filing under these regulations;
- (g) “committee” shall mean committee of board of directors or any other committee so constituted;
- (h) “designated securities” means specified securities, 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 and any other securities as may be specified by the Board ;
- (i) “financial year” shall have the same meaning as assigned to it under sub-section (41) of section 2 of the Companies Act, 2013;
- (j) “global depository receipts” means global depository receipts as defined in sub-section (44) of section 2 of the Companies Act, 2013;
- (k) “half year” means the period of six months commencing on the first day of April or October of a financial year;
- (l) “half yearly results” means the financial results prepared in accordance with these regulations in respect of a half year;
- (m) “holding company” means a holding company as defined in sub-section (46) of section 2 of the Companies Act, 2013;
- (n) “Indian depository receipts” means Indian depository receipts as defined in sub-section (48) of section 2 of the Companies Act, 2013;
- (o) “key managerial personnel” means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013;
- (p) “listed entity” means an entity which has listed, on a recognised stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognised stock exchange(s);
- (q) “listing agreement” shall mean an agreement that is entered into between a recognised stock exchange and an entity, on the application of that entity to the recognised stock exchange, undertaking to comply with conditions for listing of designated securities;

- (r) “main board” means main board as defined in clause (a) of sub-regulation (1) of regulation 106N of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (s) “net worth” means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013;
- (t) ‘non-convertible debt securities’ which is ‘debt securities’ as defined under regulation 2(1)(e) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (u) ‘non-convertible redeemable preference shares’, ‘perpetual debt instrument’/‘innovative perpetual debt instrument’ and ‘perpetual non-cumulative preference share’ shall have the same meaning as assigned to them in the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013;
- (v) “offer document” shall have the same meaning assigned to it under clause (x) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, clause (j) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, clause (p) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013, clause (r) of regulation 2 of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and clause (l) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008, as may be applicable;
- (w) “promoter” and “promoter group” shall have the same meaning as assigned to them respectively in clauses (za) and (zb) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (x) “public” means public as defined under clause (d) of rule 2 of the Securities Contracts (Regulation) Rules, 1957;
- (y) “public shareholding” means public shareholding as defined under clause (e) of rule 2 of the Securities Contracts (Regulation) Rules, 1957;
- (z) “quarter” means the period of three months commencing on the first day of April, July, October or January of a financial year;
- (za) “quarterly results” means the financial results prepared in accordance with these regulations in respect of a quarter;
- (zb) “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards :
Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);
- (zc) “related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract :
Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);
- (zd) “relative” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed thereunder :
Provided this definition shall not be applicable for the units issued by mutual fund which are listed on a recognised stock exchange(s);

- (ze) "schedule" means a schedule annexed to these regulations;
- (zf) "securities laws" means the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, and the provisions of the Companies Act, 1956 and Companies Act, 2013, and the rules, regulations, circulars or guidelines made thereunder;
- (zg) 'securitised debt instruments' as defined in the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008;
- (zh) "servicer" means servicer as defined under clause (t) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008;
- (zi) "small and medium enterprises" or "SME" shall mean an entity which has issued specified securities in accordance with the provisions of Chapter XB of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (zj) "SME Exchange" means an SME exchange as defined under clause (c) of sub-regulation (1) of regulation 106N of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (zk) "stock exchange" means a recognised stock exchange as defined under clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956;
- (zl) 'specified securities' means 'equity shares' and 'convertible securities' as defined under clause (zj) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (zm) "subsidiary" means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013;

(2) All other words and expressions used but not defined in these regulations, but defined in the Act or the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

Applicability of the regulations.

3. Unless otherwise provided, these regulations shall apply to the listed entity who has listed any of the following designated securities on recognised stock exchange(s):

- (a) specified securities listed on main board or SME Exchange or institutional trading platform;
- (b) non-convertible debt securities, non-convertible redeemable preference shares, perpetual debt instrument, perpetual non-cumulative preference shares;
- (c) Indian depository receipts;
- (d) securitised debt instruments;
- (e) units issued by mutual funds;
- (f) any other securities as may be specified by the Board.

CHAPTER II

PRINCIPLES GOVERNING DISCLOSURES AND OBLIGATIONS OF LISTED ENTITY

Principles governing disclosures and obligations.

4. (1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles :

- (a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.
 - (b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.
 - (c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.
 - (d) The listed entity shall provide adequate and timely information to recognised stock exchange(s) and investors.
 - (e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.
 - (f) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by investors.
 - (g) The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.
 - (h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.
 - (i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.
 - (j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.
- (2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in Chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.
- (a) **The rights of shareholders :** The listed entity shall seek to protect and facilitate the exercise of the following rights of shareholders :
 - (i) right to participate in, and to be sufficiently informed of, decisions concerning fundamental corporate changes.
 - (ii) opportunity to participate effectively and vote in general shareholder meetings.
 - (iii) being informed of the rules, including voting procedures that govern general shareholder meetings.
 - (iv) opportunity to ask questions to the board of directors, to place items on the agenda of general meetings, and to propose resolutions, subject to reasonable limitations.
 - (v) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors.
 - (vi) exercise of ownership rights by all shareholders, including institutional investors.
 - (vii) adequate mechanism to address the grievances of the shareholders.
 - (viii) protection of minority shareholders from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and effective means of redress.

- (b) **Timely information** : The listed entity shall provide adequate and timely information to shareholders, including but not limited to the following :
- (i) sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be discussed at the meeting.
 - (ii) Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership.
 - (iii) rights attached to all series and classes of shares, which shall be disclosed to investors before they acquire shares.
- (c) **Equitable treatment** : The listed entity shall ensure equitable treatment of all shareholders, including minority and foreign shareholders, in the following manner :
- (i) All shareholders of the same series of a class shall be treated equally.
 - (ii) Effective shareholder participation in key corporate governance decisions, such as the nomination and election of members of board of directors, shall be facilitated.
 - (iii) Exercise of voting rights by foreign shareholders shall be facilitated.
 - (iv) The listed entity shall devise a framework to avoid insider trading and abusive self-dealing.
 - (v) Processes and procedures for general shareholder meetings shall allow for equitable treatment of all shareholders.
 - (vi) Procedures of listed entity shall not make it unduly difficult or expensive to cast votes.
- (d) **Role of stake holders incorporate governance**: The listed entity shall recognise the rights of its stakeholders and encourage co-operation between listed entity and the stakeholders, in the following manner :
- (i) The listed entity shall respect the rights of stakeholders that are established by law or through mutual agreements.
 - (ii) Stakeholders shall have the opportunity to obtain effective redress for violation of their rights.
 - (iii) Stakeholders shall have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in corporate governance process.
 - (iv) The listed entity shall devise an effective whistle blower mechanism enabling stakeholders, including individual employees and their representative bodies, to freely communicate their concerns about illegal or unethical practices.
- (e) **Disclosure and transparency** : The listed entity shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership, and governance of the listed entity, in the following manner :
- (i) Information shall be prepared and disclosed in accordance with the prescribed standards of accounting, financial and non-financial disclosure.
 - (ii) Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by users.
 - (iii) Minutes of the meeting shall be maintained explicitly recording dissenting opinions, if any.
- (f) **Responsibilities of the board of directors** : The board of directors of the listed entity shall have the following responsibilities :
- (i) Disclosure of information :

- (1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.
 - (2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.
- (ii) Key functions of the board of directors—
- (1) Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
 - (2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.
 - (3) Selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.
 - (4) Aligning key managerial personnel and remuneration of board of directors with the longer term interests of the listed entity and its shareholders.
 - (5) Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.
 - (6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.
 - (7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
 - (8) Overseeing the process of disclosure and communications.
 - (9) Monitoring and reviewing board of director's evaluation framework.
- (iii) Other responsibilities :
- (1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.
 - (2) The board of directors shall set a corporate culture and the values by which executives throughout a group shall behave.
 - (3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.
 - (4) The board of directors shall encourage continuing directors training to ensure that the members of board of directors are kept up to date.
 - (5) Where decisions of the board of directors may affect different shareholder groups differently, the board of directors shall treat all shareholders fairly.
 - (6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.