

SEBI Consultation Paper on proposed amendments in LODR Regs:

Stringent timeline for filling vacancy of directors and KMPs | Freezing demat a/c of CEO / MD / WTD in the event of default | Specified timeline for filing F/R of newly listed cos.

Timeline to fill up vacancy of directors

- **What do the current provisions say:** Reg. 25(6) provides for appointment of ID within 3 months in case of resignation/ removal. No timeline prescribed in other cases or for non-IDs.
- **Proposed change:**
 - In case of vacancy due to the following, vacancy to be filled on the **same day**:
 - appointment of non-ID
 - change in designation of director
 - cessation due to completion of tenure.
 - In other cases, vacancy to be filled **within 3 months** from such vacancy.
 - LE which complies with the board composition requirements under Reg. 17(1) need not fill up the vacancy.
- **VKCo comments:** What would be the timeline to fill up the vacancy arising out of ID losing his/her independence?
 - In our view, the immediate filling of vacancy would apply only when the vacancy arises within the **prior knowledge of the company.**

Timeline to fill up vacancy of KMPs: Made more stringent

- No current provisions w.r.t. casual vacancy of Compliance Officer, CFO, CEO/ MD/ WTD/ Manager
- **Existing requirement under Sec. 203 of CA, 2013:** Casual vacancy to be filled within 6 months from such vacancy.
- **SEBI's proposal:** LEs to fill the casual vacancy **within 3 months** from the date of such vacancy.
- **Intent behind the proposal:** Need for specific timelines for filling casual vacancy of KMPs considering the gravity of responsibilities entrusted on them.
- **VKCo comments:** Sec. 203 provides for an exemption where the company has a whole-time KMP in compliance with sub-section (1). No such exemption proposed under LODR.
- What will be the requirement in case of multiple MDs/ WTDs for multiple business segments?

Timeline to submit comments

Comments may be submitted to SEBI by **March 06, 2023.**

Freezing of demat a/c of CEO/MD/WTD in the event of

- **Applicability:** In the event of continuing default under [certain LODR Regs.](#) by the LE or any other person thereof
- **What do the current provisions say:** Reg. 98 empowers SEs to freeze promoters/ promoter group holding of designated securities
- **Proposed change:** Freezing of the demat a/c of the MD/WTD/CEO
- **What will happen if such person resigns:** The demat a/c will be unfrozen upon earlier of the following:
 - after the LE complies with the Regs, or
 - payment of the o/s dues, or
 - 90th day from the date of resignation
- **Will this affect newly appointed persons:** Yes, they will get 90 days of time to ensure the compliance failing which his/her demat a/c will be frozen.
- **VKCo comments:** The intent of the amendment in Reg. 98 was to bring professionally managed LEs, with no identifiable promoters, under its purview. But the proposal seems general in nature, being applicable to all LEs.
- In our view, new KMPs should not be penalised as it may hinder onboarding of new KMPs.

Submission of financial results by newly-listed entities

- Currently, timeline for filing F/R in case of newly listed entities is at par with other LEs.
- **SEBI's proposal:** Newly listed entities to file their first financials **as per the prescribed timeline** for submission of quarterly / annual F/R or **within 15 days** from listing **whichever is later.**
- **Which financials to be filed:** F/R of immediately succeeding quarter of period disclosed in offer document for IPO.

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