

SEBI prescribes thresholds for determining material events, stringent approval for sale of undertaking and more

Quantitative thresholds to determine material events and stringent timelines w.e.f 14th July,2023

- **Threshold for materiality** of events/ information prescribed:
 - i. **2 % turnover**; or
 - ii. **2 % of net worth** (except in case the value is negative); or
 - iii. **5 % of the average of absolute value of PAT**, as per the last 3 consolidated financial statements, **whichever is lower**.
- **Continuing events as on date** which become material pursuant to above thresholds - to be disclosed **within 30 days** from effective date*
- **Materiality policy** to provide **assistance to relevant employees** in identification and reporting of material events to authorized KMPs
- **Revised timelines for disclosure:** -
 - **30 minutes** from the closure of BM where the decision pertaining to the event has been taken;
 - **12 hours** from the occurrence of event, in case emanating from within the Listed Entity ('LE');
 - **24 hours** from the occurrence of event, in case not emanating from within the LE.
- **Widened the disclosures under Part A of Schedule III**
VKCo comments: LEs will be required to trace potential material events which may have occurred post publication of financial statements for FY 22-23 which are not available in the public domain. SOPs maybe required to be framed for providing guidance to relevant employees.

Obtaining SH approval for any special rights w.e.f 14th July , 2023

In case any special rights given to any shareholder - SH approval to be obtained once in every **5 years** except such special rights pursuant to certain agreements or in normal course

Sale, lease, disposal of undertaking outside Scheme of Arrangement ('SOA') w.e.f. 14th June,2023

- Dual approval required - Prior SH approval by special resolution + majority of minority
 - interested public shareholder cannot vote
- Approval not required if disposed to WOS
 - approval required if WOS further transfers such undertaking or if LE dilutes its holding in WOS
- Undertaking - meaning to be taken from sec. 180(1)(a) of CA, 2013.
- NA to transfer pursuant to agreement with financial institutions.
VKCo comments: LEs will be required to check if there has been any transfer of undertaking to the WOS or if the WOS is actually an outcome of spin off from the LE

Submission of financial results by new LEs w.e.f. 14th July,2023

- New LEs to file their first financials **as per the prescribed timeline** for submission of quarterly / annual F/R or **within 21 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.
VKCo comments: Since the requirement has been inserted in Reg. 33 applicable to issuers of specified securities, there is no such requirement in case of an entity which has newly listed its debt securities.

Mandatory verification of market rumours w.e.f 14th July 2023

- **Following entities to confirm, deny or clarify any reported event in mainstream media not later than 24 hours from reporting of the event –**
 - **Top 100 LEs** (w.e.f. October 1, 2023)
 - **Top 250 LEs** (w.e.f. April 1, 2024)
- **Inclusive definition of "mainstream media"** inserted.
VKCo comments: LEs maybe required to track significant fluctuations in the securities' prices and accordingly trace the same to market rumour or news item, if any.

Timeline to fill up vacancy of directors notified w.e.f 14th July,2023

- In case of vacancy due to the expiration, vacancy to be filled on the **same day in case LE become non-compliant with the board composition requirement**
- In other cases, vacancy to be filled **within 3 months** from such vacancy.
- LE which complies with the board composition requirements need not fill up the vacancy.
- **Filling up vacancy in interim capacity shall also be done in accordance with the provisions of law**

Timeline to fill up vacancy of KMPs - Made more stringent w.e.f. 14th July, 2023

- LEs to fill the casual vacancy of Compliance Officer and KMPs **within 3 months** from the date of such vacancy.
- **Filling up vacancy in interim capacity shall also be done in accordance with the provisions of law**
- **Existing requirement under Sec. 203 of CA, 2013:** Casual vacancy of KMPs to be filled within 6 months from such vacancy.

Re-approval for continuation of directors w.e.f April 1st .2024

- Directors of the LEs shall be subject to shareholders approval atleast **once in every 5 years** from appointment/ reappointment
- Approval of shareholders to be taken on **1st GM** , if the director is on the board without the approval from last 5 years as on March 31, 2024
- **Not applicable to –**
 - WTD, MD, Manager, ID or a director liable to retire by rotation
 - Director appointed pursuant to Court order or nominated by the Government (other than PSUs) or financial sector regulator or financial institution registered with RBI

Disclosure of agreements binding on the LE w.e.f 14th July, 2023

- **Agreements -**
 - Entered into b/w *Shareholders, promoters, promoter group, related parties, directors, KMP, employees* of the LE or its holding, subsidiary or associate company, which
 - which **impact the management or control or impose any restriction or create any liability**
 - To be disclosed to the LE in **2 working days** in case the LE is not a party to such an agreement
- **Existing agreements** - to be disclosed to the SEs and on the website within specified timelines
- Salient features and weblink to also be disclosed in the annual report of FY 22-23 or FY 23-24

Amendments affecting debt LEs w.e.f 14th June, 2023

- **Extension of relaxation to HVDLEs** - Compliance of Reg. 15 to 27 on a comply or explain basis extended till **March 31, 2024**
- Requirements for quarterly intimation regarding payments stand deleted. Disclosures **within 1 working day of the payment due date** retained.

Other amendments w.e.f 14th July,2023

- Disclosure of **cyber security incidents** or breaches or loss of data or documents in corporate governance reports on a quarterly basis
- **LEs to make disclosures** and obtain assurance as per the Business Responsibility and Sustainability Report Core for their value chain (w.e.f. 14th June, 2023) in the manner as prescribed by SEBI
- **Timeline for “analysts meet”** under the website disclosure notified : **at least 2 working days in advance**
- Particulars of **senior management** including the changes therein since the close of the previous financial year to be disclosed in the Annual Report
- **Intimation to SE** regarding status of payment of interest or dividend or repayment or redemption of principal of NCS within **1 working day under Reg. 57**

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