

# LODR 2<sup>nd</sup> Amendment Regulations

## In-house meeting for Infosys Limited

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# About Us



- Vinod Kothari and Company, company secretaries, is a firm with more than 35 years of vintage
  - Based out of Kolkata, Mumbai, New Delhi and Bengaluru
- We are a team of qualified company secretaries, chartered accountants, lawyers and managers.

***Our Organization's Credo:***

***Focus on capabilities; opportunities follow***

# Coverage

- Brief overview of amendments and applicability schedule
- Disclosure of material events and information
  - Overview of Reg 30 read with Schedule III
  - Interplay with PIT Regulations
  - Determination of materiality
  - Reporting continuing events or information
- Senior Management Personnel
  - identification and obligations
- Reporting of cybersecurity incidents
- Mandatory verification of market rumours
- Amending policy on materiality of events or information
- Disclosure of regulatory actions to stock exchange
- Other amendments to Schedule III
- Filling up vacancy in key positions
- Analyst call and investors meet
- Disclosure of agreements impacting listed entities
- Framework for sale, disposal or lease of undertaking outside the scheme of arrangement
- Removing board permanency

# Background and objectives of the amendments



## Broad objectives of present amendments

- ☐ Removing ambiguity on timelines of disclosure
- ☐ Enhanced disclosures and transparency
- ☐ Protection of minority shareholders
- ☐ Empowering minority shareholders
- ☐ Enhanced corporate governance

# Applicability of various amendments

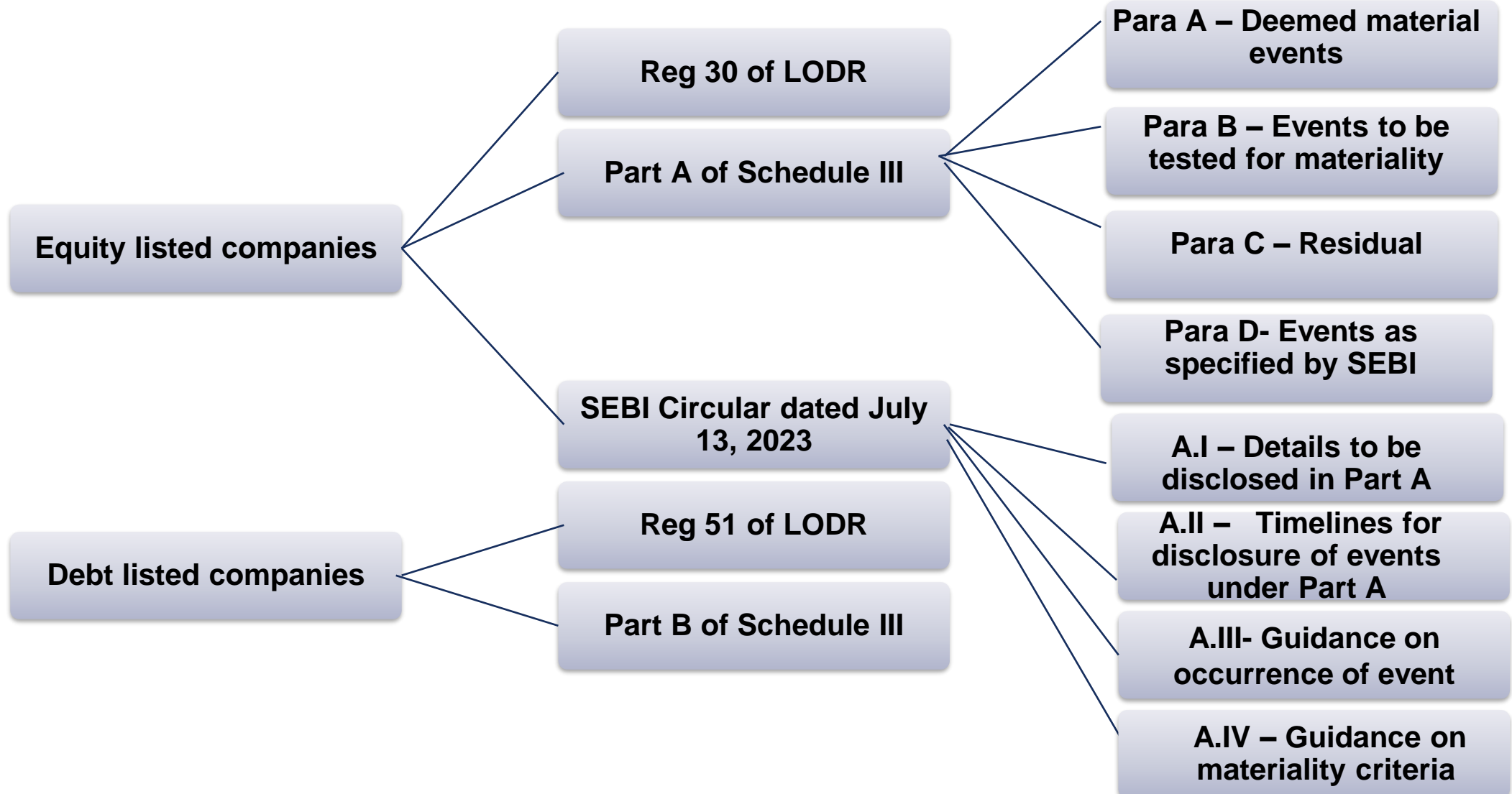
Date of applicability	Relevant Regulation
14 <sup>th</sup> June, 2023 (Immediately applicable)	<ul style="list-style-type: none"> <li>• Regulation 37A – Disposal of undertaking by listed entity outside scheme of arrangement</li> <li>• BRSR to be immediately effective; Core and assurance requirements: to be notified separately</li> </ul>
14 <sup>th</sup> July, 2023 (1 month from notification of Amendment Regulations)	<ul style="list-style-type: none"> <li>• Regulation 6(1A) : Vacancy in office of compliance officer</li> <li>• Regulation 17(1E) : Vacancy in office of director</li> <li>• Regulation 27(ba) : Disclosure of cyber security incidents</li> <li>• Regulation 30: Disclosure of material events and information</li> <li>• Regulation 30A : Disclosure of agreements binding listed entities</li> <li>• Regulation 31A :Special Rights to Shareholders</li> <li>• Regulation 33(3)(j) : Submission of Financial Results by new listed entities: for IPO commencing on or after 14<sup>th</sup> July, 2023</li> <li>• Regulation 26 : Vacancy of office of CEO, CFO to be filled within 3 months</li> </ul>
FY 24-25	<ul style="list-style-type: none"> <li>• Re-approval of shareholders for continuation of directors beyond 5 years</li> <li>• Disclosures under CG Report pertaining to particulars of SMPs</li> </ul>



Disclosure of material events or information



# Provisions governing disclosure of material events and information



# Broad overview of Reg 30

- Disclosure of material events or information - Reg 30 (1)
  - Deemed material event - Sched III.A.A
  - Tested for materiality - Sched III.A.B
  - Other events which may be material - 30 (12), Sched III.A.C
- Criteria for materiality: significant impact on price discovery. Reg 30 (4)
  - Now complemented with numerical standards
- Information to SE first, and ASAP
  - Timelines reduced to 12 hours for info emanating within the listed entity
  - 30 minutes from BM where decision taken in BM
  - Existing timeline of 24 hours continue for those originating outside the listed entity
  - specific timelines for events listed in Sched III.A.A (4)
- Material information about subsidiaries also to be disclosed - 30 (9)
- responses to rumours - earlier, the LE has the option to confirm or deny any reports - Reg 30 (11)
  - Now, mandatory for top 250 LEs in a phased manner
- Sched III.A.A – “deemed” material events
  - events to be disclosed without testing for materiality
  - 21 events are currently listed post amendment
  - as the intent is informational, entities should do a liberal reading of the entries, and go by intent
- Sched III.A.B – “tested” material events
  - 13 listed events, to be tested for materiality, based on materiality policy and Reg 30(4)
- Penalties for non-disclosure or delayed disclosure
  - not covered under SOP for penalties levied by SEs
  - to be adjudicated by SEBI
  - Penalty u/ s 23A of SCRA
    - Minimum Rs. 1 lac
    - Continuing Rs. 1 lac per day
    - Maximum Rs. 1 crore

## Broad overview of Part A of Schedule III

- Schedule III provides an indicative list of events and information that require disclosure under Reg 30
- Classified into 5 parts on the basis of nature of securities
  - Part A deals with specified securities
    - Sub-divided into 4 Paras
      - **Para A** deals with events which shall be disclosed without any application of the guidelines for materiality as specified in sub-regulation (4) of regulation (30)
        - “**deemed**” material events
      - **Para B** deals with events which shall be disclosed upon application of the guidelines for materiality referred sub-regulation (4) of regulation (30)
        - **events requiring materiality assessment**
- **Para C** further requires disclosure of –
  - Any other information/event viz. **major development that is likely to affect business**, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof **and any other information which is exclusively known to the listed entity which may be necessary to enable the holders of securities of the listed entity to appraise its position and to avoid the establishment of a false market in such securities.**
    - Other material events or information expected to trigger **Significant Market Reaction** (*refer next slide*)
- **Para D** requires disclosure of all other events and information as may be specified by SEBI from time to time.

# Trigger point for disclosure of material events and information

- Reg 30(6) specifies timelines for disclosure
  - requires disclosure to SEs as soon as reasonably possible, but not later than
  - 30 mins from conclusion of board meeting in which decision pertaining to event/information has been taken
  - 12 hours from the occurrence of the event or information, in case the event or information is emanating from within the listed entity
  - 24 hours from the occurrence of the event or information, in case the event or information is not emanating from within the listed entity
- **When is an event considered to have occurred?**
  - should be disclosed once the happening of the event can be determined with reasonable certainty
  - SEBI Circular dated 13<sup>th</sup> July, 2023 also provides guidance on the same

For events involving stages of discussion, negotiation and approval	For events not involving such stages
on receipt of requisite approval (generally board approval)	as and when the listed entity becomes aware of the same or as soon as an officer of the entity has, or ought to have reasonably come into possession of the information in the course of the performance of his duties
E.g. - rights issue, acquisitions etc	E.g. - strikes, lock-outs etc

## Interplay with PIT Regulations

<b>PIT Regulations</b>	<b>LODR Regulations</b>
Provision: “No person shall procure from or cause the communication by any insider of unpublished price sensitive information”	Provision: “Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material”
Prohibition in flow of information which is unpublished	Continuous flow of information
Mandatory restriction on sharing information	Mandatory release of information
Creation of artificial Chinese wall for disallowing flow of information	Ensure transparency of information

**Provisions are complementary and not conflicting**

# SEBI's proposal of linking UPSI with Reg 30

- SEBI *vide* its Consultation paper dated 18<sup>th</sup> May, 2023 has proposed to **re-include “material event in accordance with Regulation 30** of Listing Regulations in the definition of UPSI.
- Potential consequences:
  - Even events which are though material but not in the nature of UPSI will also come into the purview of same
  - Leading to the formalities like entry in SDD, closure of trading window etc. even for those events which are not in the nature of UPSI
- **What could be the way out?**
  - Including only the following under the definition of UPSI
  - Matters included in Part A : Para B and C
  - which have been tested for materiality using the given thresholds
  - From the point of germination and identification
  - Till the same is made publicly available

# The trajectory of information in an organisation

■N: The MD spots a tender/scheme of the Orissa Govt whereby there will be allotment of land, provided the entrepreneur makes an minimum capex of Rs 500 crores in a new plant. Other conditions are there.

■N+1 Captivated by the idea, the MD would want to examine the feasibility of setting up a new unit in Orissa.

■N+3 The MD discusses the matter with the CFO and the two agree to engage one of the consulting firms to do a feasibility study for setting up the Orissa plant

■N+15 At this stage, an in-principle board approval is taken by circulation for carrying the feasibility study, to be reported back to the Board.

■N+ 75 The feasibility study comes a couple of months later. The study inter alia recommends an investment of Rs 650 crores. This will nearly doubling the current capacity of the company

■N+ 90 After doing further work on the matter, the MD and the CFO set up an internal team to identify the technology/machinery vendor, make financial projections, identify land parcel, etc.

■N+ 115 A board meeting is to be called by the CS, setting up the details as currently available.

■N + 123 Board resolution passed for making application to the Govt of Orissa for the plant; if the application succeeds, the matter to come back to the board.

■N+ 125 Application made

■N+ 155 Govt of Orissa sanctions the application

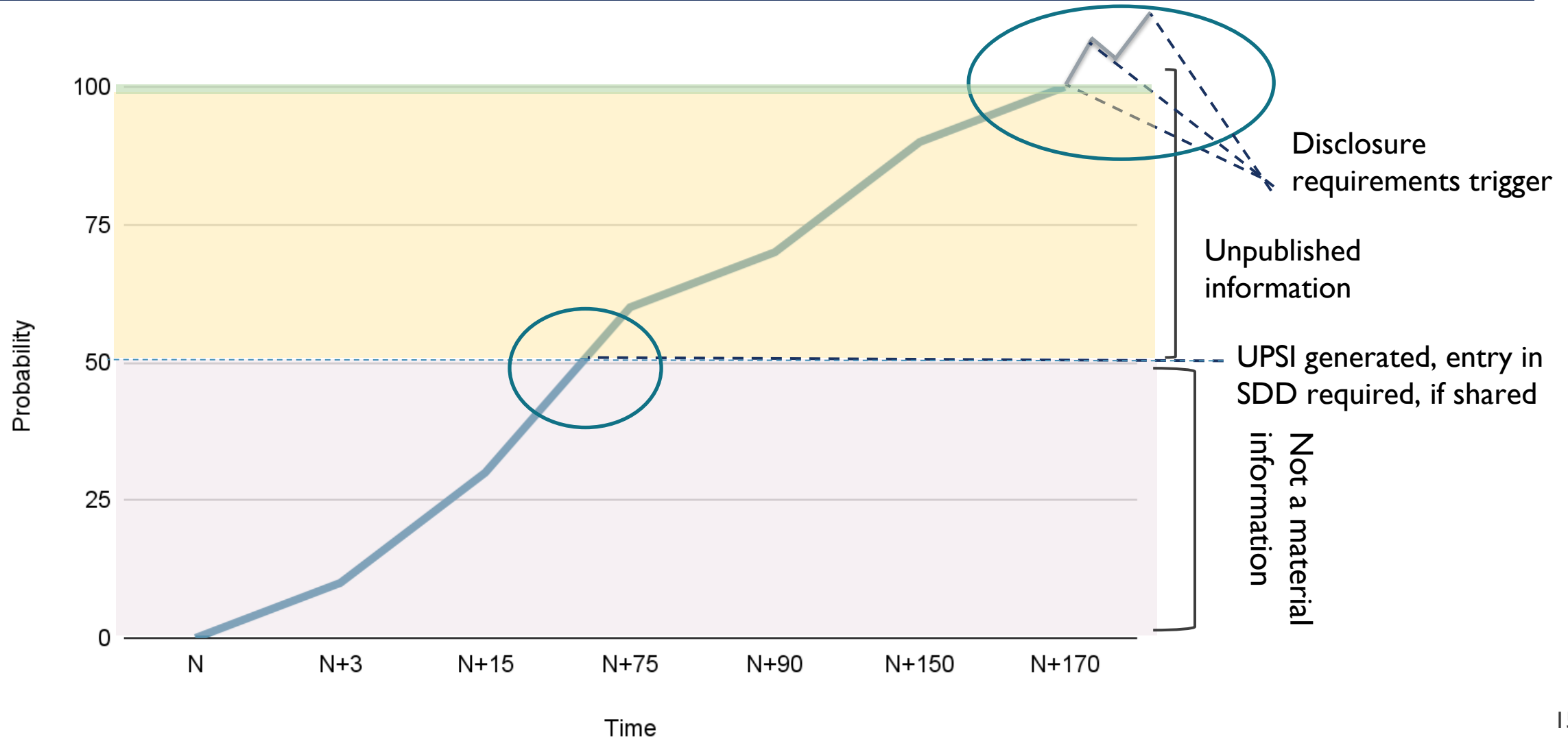
■N+ 170 Further board resolution for setting up a WOS

■**N+ 170 At this stage, the information is disclosed to SE**

■ **N+200 Subscription to shares of WOS**

■ **N+300 Tender cancelled for uncontrollable reasons**

# Metamorphosis of “information” from “origin” to “publication”





# Determination of “materiality” for disclosure of information or events

Quantitative thresholds along with subjective tests of determination



# Tests for determination of materiality of information or events

- Reg 30(4) specifies guidelines for determination of material events and information
- The erstwhile guidelines were only subjective
  - (a) the omission of an event or information, which is **likely to result in discontinuity or alteration of event or information already available publicly**; or
  - (b) the omission of an event or information is **likely to result in significant market reaction if the said omission came to light at a later date**;
  - (c) In case where the criteria specified in sub-clauses (a) and (b) are not applicable, an event/information may be treated as being material if in the **opinion of the board of directors of listed entity**, the event / information is considered material.
- Amended regulations specify “**quantitative**” thresholds for determining “materiality”
  - the same is in addition to and not in substitution of subjective thresholds
- the omission of an event or information, whose **value or the expected impact in terms of value, exceeds** the **lower** of the following:
  - **2 percent of turnover**, as per the last **audited consolidated** financial statements of the listed entity;
  - **2 percent of net worth**, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;
  - **5 percent of the average of absolute value of profit or loss after tax**, as per the **last three** audited consolidated financial statements of the listed entity.
    - E.g. - Profit of Rs. 5 crores in FY 20-21, Profit of Rs. 3 crores in FY 21-22 and loss of Rs. 1 crore in FY 22-23
      - profit based materiality threshold will be [5% of  $\{(5+3+1)/3\}$ ], i.e., Rs. 15 lacs

# Understanding thresholds of materiality

## Value v/s expected impact in terms of value

- **Value** would generally be **certain**
- **Expected impact** on value should mean
  - **monetary impact** of an event or information,
  - whether **immediate or over a period of time**,
  - **directly relatable** to or occasioned by the event or information,
  - on the **basis of the full expected potential** of the event or information,
  - **on turnover, net worth or profit/ loss** of the company, as **appropriate** for the given event/ information
  - **ascertained** or expected **at the time of occurrence** of the event or information.

## Rule of correspondence in determining materiality

- Materiality thresholds are based on 3 financial parameters
  - least of the 3 forms the base for determining materiality
  - threshold based on **profits would generally be the lowest**
- there may be practical difficulties arising out of the same
  - for e.g. actual impact on turnover as numerator against profit based threshold as denominator does not form appropriate comparison
- **Rule of correspondence** should be applied
  - expected impact on turnover be compared against turnover based materiality threshold
  - expected impact on profits be compared against profit based materiality threshold
- E.g. - Launch of new product
  - Expected impact - Increase in turnover by Rs. 200 crores  
Increase in profits by Rs. 15 crores
  - Materiality thresholds - as per turnover - Rs. 2000 Cr  
as per profits - Rs. 150 Cr

# Meaning and relevance of Significant Market Reaction (SMR)

- Not defined under the Regulations
- may be based on LE's own judgement of SMR
  - may be defined in the Materiality Policy of the LE
- SMR would generally mean
  - a movement in the prices of shares of the LE
  - based on a moving average of a determined number of trading days
  - whereby the prices of the equity shares of the LE may be expected to move up or move down by at least a specified percentage
    - less than 5% - not significant
    - between 5-10% - LE may apply discretion to decide
    - more than 10% - will be significant
  - independent of a general broad market index or index for relevant shares
  - in the absence of any stakeholder communication

## Relevance of Significant Market Reaction

- one of the **subjective criteria u/r 30(4)** for determining materiality
- assistance in assessing **impact of market rumour** and whether the same requires disclosure
- for ascertaining **disclosure requirements under Schedule III.A.C or Reg 30(12)**



## Reporting “continuing” events and information

Events or information that becomes material as per revised criteria of materiality



## Continuing events/ information: Looking back

- ❑ Events **occurring prior to the amendments**
  - becoming material pursuant to the present amendment; or
  - having **continuing impact post amendments**
  - to be tested on the basis of revised materiality tests
  - if not already available in public domain
  - to be disclosed to stock exchanges as material event in terms of Regulation 30
  - **within 30 days** of effective date, i.e., **by 13<sup>th</sup> August, 2023**
- ❑ **How back is a listed company required to go to re-evaluate “materiality” of events?**
  - disclosure is required for events or information
  - that have become **material and not available in public domain**
  - for most companies, financials upto 31st March, 2023 would be available in public domain
    - containing disclosures of all events and/ or information having material impact on the entity (contingent liabilities to be disclosed in terms of Ind AS 37)
    - one may go backwards upto the date of financials to identify undisclosed material events

*“Provided that **any continuing event or information which becomes material pursuant to notification of these amendment regulations shall be disclosed by the listed entity**”*

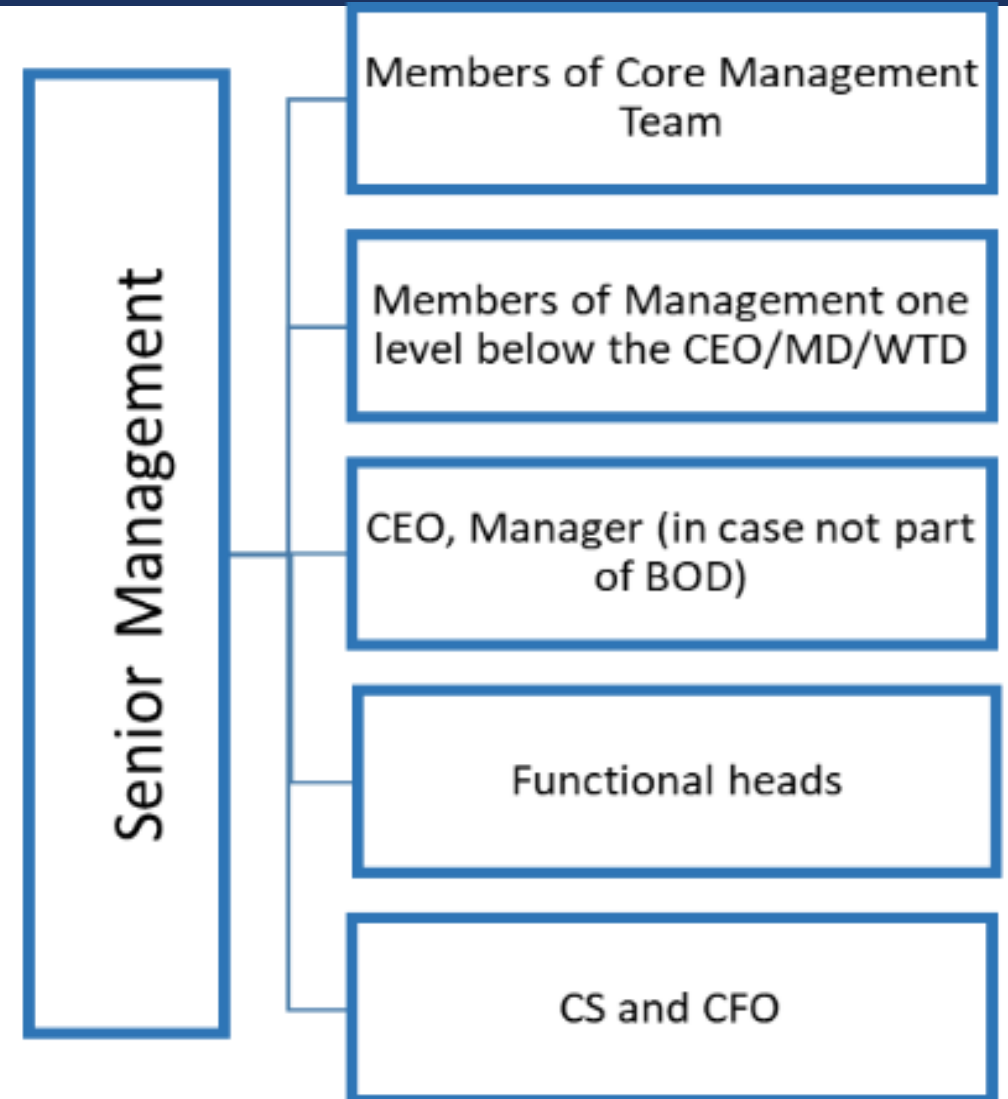


## Senior Management Personnel - identification and obligations



## Senior Management Personnel (SMPs): Companies to relook at the tag

- Defined u/s 178 of CA and Reg 16 of LODR
  - members of core management team
    - generally include CEO, CFO, CTO, CRO, COO etc
  - members of management one level below the CEO/ MD/ WTD/ Manager
  - functional heads
    - should ideally mean head of core functions
- Appointing Authority
  - Board, on recommendations of NRC
  - as per criteria for appointment fixed by NRC
- Remuneration
  - as per Remuneration Policy of the LE



# Provisions pertaining to SMPs

## Obligations of LE

- Intimating change in SMPs to the stock exchange
  - In case of resignation, along with the letter.
- Disclosure of particulars of SMPs to be given in Annual Report [Clause 5B of CG Report under Schedule V]
  - including changes thereto
- Intimation u/r 30 in the event of
  - Fraud/ default by/ arrest of SMP [clause 6 of Para A of Part A of Sch III]
    - default that has an impact on the listed entity
- Change in SMP [clause 7 of Para A of Part A of Sch III]
- Resignation of SMP [clause 7C of Para A of Part A of Sch III]
- Announcement/ communication through social media intermediaries or mainstream media by SMPs [clause 18 of Para A of Part A of Sch III]

## Obligations of SMPs

- act with operational transparency while also maintaining confidentiality of information [Reg 4(2)(f)]
- Adhere to code of conduct and affirm compliance on an annual basis [Reg 26(3)]
- disclose all material, commercial and financial transactions in which they have personal interest and which may lead to potential conflict of interest with the listed entity at large [Reg 26(5)]
- Other obligation arising as relevant employee under Reg. 30
- Disclosure requirements under Para A of Schedule III
  - Fraud, default, arrest
  - Resignation letter
  - Actions initiated or taken, order passed under Para A (19)
  - Actions taken, order passed under Para A (20)
- Obligations as a Designated Person under PIT Regs



## Reporting of cyber security incidents



# Cyber security incidents - disclosure requirements in Corporate Governance Report

- Reg 27(2)(ba) of LODR Regulations
- Details of the following to be reported in Corporate Governance Report
  - cyber security incidents or breaches
    - BM agenda mentions to derive the same from CERT-In Rules
  - loss of data or documents
- Periodicity of reporting
  - on a quarterly basis
- Format of reporting to be specified by SEBI
  - Consultation Paper suggests the following disclosures
    - **Nature of the event** (cyber security incident / cyber security breach / loss of data or documents)
    - **Date** of the event
    - **Brief** of the event
    - **Impact on the operations** of the listed entity
    - **Corrective action** taken
    - **Compliance with the guidelines of CERT-In or other concerned authority:**
- Meaning of **cyber security incidents**
  - defined u/s 2(1)(h) of CERT-In Rules
  - any **real or suspected adverse event**
  - in **relation to cyber security**
  - that **violates** an explicitly or implicitly applicable **security policy**,
  - **resulting in** unauthorised access, denial of service or disruption, unauthorised use of a computer resource for processing or storage of information for changes to data, information without authorization
- Meaning of **cyber security breaches**
  - defined u/s 2(1)(i) of CERT-In Rules
  - **unauthorised** acquisition or unauthorised use
  - by a person as well as an entity
  - of **data or information**
  - that **compromises the confidentiality, integrity or availability** of information maintained in a computer resource

# Cyber security incidents – Proposal approved by SEBI

- cyber security incidents' and 'cyber security breaches' shall have the same meaning as given under CERT-In Rules;
- the types of cyber security incidents required to be disclosed shall be as specified in Annexure I to the CERT-In Directions;
  - Refer next slide
- Corrective action taken
  - an affirmation in the CG report to be provided that appropriate corrective actions have been taken for the cyber security incidents / breaches during the last quarter.
- Corrective action not taken or completed
  - to be disclosed in the CG Report of the succeeding quarter;
- Exemption
  - disclosure of cyber security incidents / breaches pertaining to Critical Information Infrastructures and protected systems in terms of section 70(1) of the Information Technology Act, 2000.
    - <https://www.meity.gov.in/gazette-notifications-declaring-computer-resources-relating-identified-critical-information>
    - Considering the security risks associated with public disclosure of cyberattacks pertaining to Critical Information Infrastructures (CIIs) and protected systems.
- Amendment
  - Enabling provision to be added in Reg. 27
  - SEBI Circular of May 31, 2021 providing format of CG report to be revised
    - disclosure requirement with respect to cyber security incidents / breaches or loss of data / documents of the listed entity will be inserted.

# Types of cyber security incidents requiring reporting

- ❑ Only such incidents as mentioned in Annexure to CERT-In Directions (as per SEBI Agenda)
- ❑ Types of cyber security incidents need to be reported to CERT-In:
  - ❑ Targeted scanning/probing of critical networks/system
  - ❑ Compromise of critical systems/information
  - ❑ Unauthorised access of IT systems/data
  - ❑ Defacement of website or intrusion into website and unauthorised changes such as inserting malicious code, links to external website etc.
  - ❑ Malicious code attacks such as spreading of virus/worm/Trojan/Botnets/Spyware/ Ransomware/ Cryptominers
  - ❑ Attack on servers such as Database, Mail, DNS and network devices such as Routers
  - ❑ Identity theft, spoofing and phishing attacks
  - ❑ Denial of Services(DoS) and Distributed Denial of Service(DDoS) attacks
  - ❑ Attacks on critical infrastructure, SCADA and operational technological systems and Wireless network
- Attacks on applications such as E-Governance, E-commerce etc.
- Data breach
- Data leak
- Attacks on Internet of Things (IoT) devices and associated systems, networks, software, servers
- Attacks or incident affecting Digital Payment systems
- Attacks through Malicious mobile Apps xvi. Fake mobile Apps
- Unauthorised access to social media accounts
- Attacks or malicious/ suspicious activities affecting Cloud computing systems/ servers/ software/ applications
- Attacks or malicious/suspicious activities affecting systems/ servers/ networks/ software/ applications related to Big Data, Block chain, virtual assets, virtual asset exchanges, custodian wallets, Robotics, 3D and 4D Printing, additive manufacturing, Drones
- Attacks or malicious/ suspicious activities affecting systems/ servers/software/ applications related to Artificial Intelligence and Machine Learning



## Mandatory verification of market rumours



# Verification of market rumours by listed entities

Erstwhile provisions	Amended provisions
<ul style="list-style-type: none"><li>● Reg 30(11) - The listed entity may on its own initiative also, confirm or deny any reported event or information to stock exchange(s).</li><li>● Clause (5) of Code of Fair Disclosures under PIT Regulations<ul style="list-style-type: none"><li>○ Appropriate and fair response to queries on news reports and requests for verification of market rumours by regulatory authorities</li></ul></li></ul>	<p>Provided that the <b>top 100 listed entities (with effect from October 1, 2023)</b> and thereafter the <b>top 250 listed entities (with effect from April 1, 2024)</b> shall <b>confirm, deny or clarify any reported event or information in the mainstream media</b> which is <b>not general in nature</b> and which indicates that <b>rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public</b>, as soon as reasonably possible and <b>not later than twenty four hours from the reporting of the event or information:</b></p> <p>Provided further that <b>if the listed entity confirms</b> the reported event or information, it shall <b>also provide the current stage of such event or information.</b></p>

# Understanding mandatory verification of market rumours

## ■ **Applicable from?**

- 1st October, 2023 - for top 100 listed entities
- 1st April, 2024 - for top 250 listed entities

## ■ **Applicable on whom?**

- Top 100 listed entities based on market capitalization as on 31<sup>st</sup> March, 2023
- Top 250 listed entities based on market capitalization as on 31<sup>st</sup> March, 2024
- Once applicable, always applicable – reg 3(2)

## ■ **Type of reported event?**

- rumours of an impending specific material event or information in terms of Reg 30
- Not general in nature, specific to LE
- Indicates leakage of UPSI

## ■ **Reported where?**

- On mainstream media (refer definition)

## ■ **Obligation of LE?**

- To **confirm, deny or clarify** reported event
- if confirms, **current stage** of such event/ information to be disclosed

## ■ **By when?**

- ASAP and not later than **24 hours from reporting** of event or information

## ■ **Mainstream media** (definition u/ Reg 2(1)(ra))

“mainstream media” shall include **print or electronic mode** of the following:

- i. Newspapers registered with the Registrar of Newspapers for India;
- ii. News channels permitted by Ministry of Information and Broadcasting under Government of India;
- iii. Content published by the publisher of news and current affairs content as defined under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021; and
- iv. Newspapers or news channels or news and current affairs content similarly registered or permitted or regulated, as the case may be, in jurisdictions outside India;

# International rules on verification of market rumours

## ■ Part VI of Appendix 7A (SGX Rules)

- require prompt confirmation and clarification of
- Public circulation of information, whether by an **article published in a newspaper, by a broker's market letter, or by word-of-mouth**
- likely to have, or has had,
  - an **effect on the price of the issuer's listed securities**
  - a **bearing on investment decisions**

## ■ Para 7 of EU Market Abuse Regulation

- requires **disclosure of inside information** to which a rumour relates
- and the rumour is **sufficiently accurate to indicate that confidentiality of the information is no longer ensured**
- inside information means information that issuer is obliged to make publicly available in terms of Article 17

## ■ Section 202.3 of NYSE Manual

- Relates rumours with unusual market activity. If unusual market activity is arising out of rumours, then the company to give prompt clarification.
- for impending developments on significant corporate matters
- In case of false or incorrect rumours - promptly deny or clarify
- In case of correct rumours or in development stage - an immediate candid statement to the public as to the state of negotiations or of development of corporate plans in the rumored area
- Listed entities to contact the Exchange on becoming aware of rumours.
- Prompt investigation by Exchange on such rumours

## ■ Rule 5250 of NASDAQ Listing Rules

- rumours pertaining to impending developments on material information or news
- deny false or incorrect rumours
- clear public announcement as to state of negotiations or developments in case of rumours pertaining to impending events

# What constitutes rumour?

## Inclusions

- Unofficial/ selectively disclosed information
- about a material event or information in terms of Reg 30
- that, if verified to be true, would require disclosure by the company on reaching a certain stage or SMR
- constitutes both
  - impending specific material information that would have triggered disclosure u/r 30 at a later stage
  - specific information about material information or event that does not exist

## Exclusions

- Any matter, news or comments on matters of general relevance, not directly related to any event or development pertaining to the company;
- Some person's interpretation or analysis of, or views on official intimation of disclosure made by company
- Any comparison or analysis of company with that of any of its peers, other companies or entities
- A pure conjecture, speculation of imprecise or incoherent nature, or a generic statement which any reasonable person would not have related with or referring to any material event or development.

## Responding to rumours: Getting the grip of 30(11)

Is this rumour requiring a response?	How does the company get to know? Where does it respond?	What would be the company's response?	Information integrity checks
<p>If the answer to either question is "yes"</p> <ul style="list-style-type: none"> <li>Is it an impending development, which, at appropriate stage, would have required disclosure u/r 30 (11)?</li> <li>There is no such development, but had it been there, it would have required reg 30 disclosure?</li> </ul> <p>If answer to both is "no", the matter does not come u/r 30</p>	<p>Check for any rumour if:</p> <ul style="list-style-type: none"> <li>There is an unusual market activity in the company's securities.</li> <li>There is a question from the stock exchange about some rumoured information</li> </ul> <p>No need to continuously scan press for any such news or rumours.</p> <p>After checking the rumour, respond to SE</p>	<p>Deny, if there is no such news or information.</p> <p>If there is a news or information, even though not mature for disclosure, the publication of the rumour forces the company to make disclosure.</p> <p>It discloses the current stage of development</p> <p>Consider what best describes: preliminary, non-binding, pre-approval or pending approval (if so, whose approval), etc.</p> <p><i>(see next slide)</i></p>	<p>A rumour about an impending news or information implies a leakage.</p> <p>Leakage is serious, and hints at the failure of internal controls on price sensitive information. PIT controls are in question. Boards should take it seriously. Investigate.</p> <p>Plug.</p> <p>Report the result of any enquiry into leakage to SEBI (9A(5) of PIT Regs)</p>


## Disclosing current stage of impending material event

Exploratory stage	Preliminary	Non-binding	Pre-approval stage	Pending approval
<p>Given the fact that all agile companies are always exploring options and possibilities, if the stage is purely exploratory, the company may actually deny the existence of any news or information.</p> <p>The news in question has not even been born.</p>	<p>Discussions are on. Parties have been identified. Parties have begun their due diligence. However, neither party has made any offer yet.</p>	<p>Either party has made a non-binding offer.</p>	<p>The matter is awaiting an approval from one or both the parties at their ultimate approving authority.</p>	<p>The matter is awaiting approval / sanction from one or more authorities. This approval is a prerequisite to proceed with the transaction.</p>



# Amending policy on materiality of events or information

Guidance to KMPs and relevant employees for timely disclosure



# Amendments required to Materiality Policy

- Reg 30(4)(ii) of LODR
  - Requires LE to frame a policy for determination of materiality
  - Amendments further require policy to assist “relevant” employees
    - In identifying any potential material event, and
    - Reporting the same to authorized KMP
  - Policy to not dilute any provisions of existing Regs
- What should the Policy provide?
  - Broad principles on manner of determining
    - expected impact on value
    - significant market reaction
    - market rumours
    - materiality for events relating to subsidiary
    - other material events or information
    - recording of decisions taken
    - guidance of Schedule III items - unit, division, nature of agreements etc and occurrence of event
    - Roles and responsibilities of board, authorized KMPs, Compliance Officer, other relevant employees
  - SOP will be internal document framed basis the principles laid down in the policy
- Who can be “relevant employees”?
  - Depending on the nature of event; events may be diverse and may arise anywhere within the LE
  - Material event/ information may flow from any department of LE
    - Hence HoD of all departments and functions may be included
    - Are DPs the “relevant employees” for escalating the information?
- Are the “relevant employees” required to determine materiality of an event or information?
  - No, ultimate responsibility rests with authorized KMPs
  - Relevant employees are required to identify any potential material event and report to KMP for further determination and disclosure
- How can “relevant employees” assist in the same?
  - Needs to be sensitized on events/ information that are usually considered material
  - Quantitative thresholds may be provided with
  - Additional guiding criteria to supplement
- Can LE have internal SOPs instead of complete disclosure in the policy?
  - Seems to be so, policy, in turn, may refer to the SOP

# Prospective Outline of SOP

## ■ Purpose and Coverage

- explaining its importance in complying with Reg 30

## ■ Regulatory Framework

- including the relevant provisions of Listing Regulations, and any other applicable guidelines or circulars;
- reference of policies framed under Insider Trading Regulations to be added

## ■ Definitions and Key Terms

- definitions for relevant terms used in the SOP to ensure clarity and understanding among users.

## ■ Roles and Responsibilities

- Identifying 'relevant employees' for escalation of the details of event / information to Authorised KMPs
- Identifying employee(s) who needs to ensure regular follow up on the understanding and implementation of the process under the SOP
- Setting out the mechanism for flow of information from the source of information/ event to the KMPs

## ■ Materiality Determination

- Guidance on Schedule III items (Para A of Part A)
- Defining criteria and methodology for determining material events/ information (Schedule III Para B of Part A)
- Guidance on the matters falling outside the list of Schedule III to be identified as a potential material event/ information for escalation

## ■ Rumour Verification

- What is a rumor? What will be the scope of a rumor
- How to differentiate between “rumor” and “misinformation”
- How will the Company become aware about the rumor
- When does the Company respond to rumor? Manner of responding.
- Ascertaining any instance of leak of UPSI

## ■ Timeline & Disclosure

## ■ Communication & Training

## ■ Monitoring & Compliance

## ■ Record Keeping & Documentation

## ■ Review & Revision



# Disclosure of regulatory actions to stock exchanges

Newly inserted clauses under Schedule III requires disclosure of regulatory action as deemed material event



## Disclosure of regulatory actions taken or initiated (New insertion under Sch. III.A.A)

Basis of comparison	Clause (19) of Schedule III.A.A.	Clause (20) of Schedule III.A.A.
<b>Actions covered</b>	Actions <b>initiated</b> or order passed in respect of the following: (a) search or seizure; or (b) re-opening of accounts under section 130 of the Companies Act, 2013; or (c) investigation under the provisions of Chapter XIV of the Companies Act, 2013	Actions <b>taken</b> or orders passed in respect of - (a) suspension; (b) imposition of fine or penalty; (c) settlement of proceedings; (d) debarment; (e) disqualification; (f) closure of operations; (g) sanctions imposed; (h) warning or caution; or (i) any other similar action(s) by whatever name called;
<b>Stage of disclosure</b>	On the initiation of an action.	On passing of appropriate orders amounting to action
<b>Actions/orders by</b>	Regulatory, statutory, enforcement authority or judicial body	
<b>Actions/orders against</b>	Listed entity, its directors, KMP, senior management, promoter or subsidiary	
<b>Relating to</b>	The listed entity	
<b>Scope</b>	<b>Restricted</b> to disclosure of 3 events.	<b>Wider</b> scope, covering 9 events.
<b>Timelines</b>	within 24 hours (since these do not emanate from within the listed entity)	

## Disclosures required for regulatory action (r/w Reg 30(13))

- Name of the **authority**;
- Nature and details of **actions taken, initiated or orders passed**
- **Date of receipt** of direction or order, including any ad-interim or interim orders, or any other communication from the authority
- **Details of the violation(s)/contravention(s)** committed or alleged to be committed
- **impact on financial, operation or other activities** of the listed entity, **quantifiable in monetary terms** to the extent possible

Reg 30(13) of LODR

*“In case an event or information is required to be disclosed by the listed entity in terms of the provisions of this regulation, **pursuant to the receipt of a communication from any regulatory, statutory, enforcement or judicial authority**, the listed entity shall disclose such communication, along with the event or information, unless disclosure of such communication is prohibited by such authority.”*

*Whether issue of Show Cause Notice (SCN) amounts to an action taken or action initiated?*

- SCN is a formal notice issued by the authority, to a person/entity, requiring the recipient to explain or justify a particular act or omission that is apparently in violation of the provisions
- is a step prior to initiation of action by authorities, if so required
- In Union of India another v. Kunisetty Satyanarayana, SC also observed the same

## Examples of regulatory actions to be disclosed under Schedule III.A.A. (1/2)

Action taken	Disclosed under	Remarks
Levying of fines by stock exchanges	Clause 20	Stock exchange may be considered as statutory body as it acts under the aegis of SEBI and has several powers being delegated by SEBI to ensure implementation of rules, regulations guidelines, circulars etc. rolled out by SEBI. Hence, levying fines by stock exchanges should require disclosure.
Notice issued by ROC for u/s 206 of CA	NA	Notice issued by ROC in regard to any inquiry or inspection will not require disclosure until such inquiry or inspection results in investigation
Assessment order by Income Tax Authority	NA	Assessment order is not with regard to the items covered by either of the clauses.
Settlement of proceedings with any regulatory authority	Clause 20	Settlement of proceedings with regulatory authorities is covered
Show cause notice by Tax Authority	NA	Show cause notice is not an action initiated or taken
Letter seeking Clarification by stock exchanges	NA	Clarification letter does not amount to any action taken/ initiated.

## Examples of regulatory actions to be disclosed under Schedule III.A.A. (2/2)

Action taken	Disclosed under	Remarks
Search and seizure by a tax department against the LE or against director	Clause 19	Search and seizure fall in the scope of clause 19
Suspension of License under Factories Act, 1948	Clause 20	Suspension of license will construe as action taken under clause 20
Levying of additional fees for delay in MCA filings	NA	Levying of fees is not covered in both the clauses
Appointment of Inspector by Central Government for investigation	Clause 19	Investigation under CA is covered in clause 19



## Amendments to Schedule III- Para A, B of Part A

*r/w SEBI Circular dated July 13, 2023*

Broadening the indicative list of disclosure requirements



## Amendments/ new insertions under Schedule III (Para A of Part A)

Serial No.	Amended clause under Schedule III.A.A.	Additional reporting as per SEBI Circular of July 13, 2023
I.	Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation, merger, demerger or restructuring), sale or disposal of any unit(s), division(s), <b>whole or substantially the whole of the undertaking(s)</b> or subsidiary of the listed entity, <b>sale of stake in associate company of the listed entity</b> or any other restructuring	Whether the sale, lease or disposal of the undertaking is outside Scheme of Arrangement? If yes, details of the same including compliance with regulation 37A of LODR Regulations.

### Acquisition

- acquiring **control**, whether **directly or indirectly**; or
- acquiring or agreement to acquire **shares or voting rights** in a company, **whether existing or to be incorporated**, whether **directly or indirectly**, such that
- LE **holds** shares or voting rights of **5% or more** of the **shares or voting rights in the said company**; or
- **change in holding from the last disclosure exceeding two per cent** or
- **the cost of acquisition exceeds threshold u/r 30(4)(i)(c)**

### Disposal

- an agreement to sell or sale of **shares or voting rights** in a company such that **the company ceases to be a wholly owned subsidiary, a subsidiary or an associate company of the listed entity**; or
- an agreement to sell or sale of shares or voting rights in a subsidiary or associate company such that the **amount of the sale exceeds the threshold specified u/r 30(4)(i)(c)**

### Undertaking

- as per explanation to section 180

### Division

- A division refers to a new line of business altogether, with substantially different products/services. Guidance may be taken from "segment reporting" as per Accounting Standards (AS 17).

### Unit

- A new unit is an independent economic unit for making/offering the same products/services as already being offered.

## Amendments/ new insertions under Schedule III (Para A of Part A)

Serial No.	Amended clause under Schedule III.A.A.	Additional reporting as per SEBI Circular of July 13, 2023
3.	<b>New Rating(s) or</b> Revision in Rating(s)	Disclosure required for the following as well - <ul style="list-style-type: none"> <li>a) Revision in rating even if it was not requested for/ later withdrawn by the listed entity</li> <li>b) Revision in rating outlook even without revision in rating score.</li> <li>c) ESG ratings by registered ESG Rating Providers.</li> </ul>
6.	Fraud or defaults by a listed entity, its promoter, <b>director</b> , key managerial personnel, <b>senior management or subsidiary</b> or arrest of key managerial personnel, <b>senior management</b> , promoter <b>or director</b> of the listed entity, <b>whether occurred within India or abroad</b>	

**‘Fraud’** shall include fraud as defined under Regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

**‘Default’** shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable.  
 In case of ‘revolving’ facilities - if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, **for more than 30 days**.  
 Only such ‘default’ which **has or may have an impact on the listed entity**.

## Amendments/ new insertions under Schedule III (Para A of Part A)

Serial No.	Amended clause under Schedule III.A.A.	Disclosures required
7	Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer , Company Secretary etc.), <b>senior management</b> , Auditor and Compliance Officer	
7C	In case of resignation of key managerial personnel, senior management, Compliance Officer or director other than an independent director	Letter of resignation along with detailed reasons for the resignation as given by the key managerial personnel, senior management, Compliance Officer or director within seven days from effective date of such resignation
7D	MD/ CEO is indisposed/ unavailable to fulfill the requirements of the role in a regular manner for more than 45 in any rolling period of 90 days	reasons for such indisposition or unavailability, to be disclosed to the stock exchange(s).
18	Announcement by directors, promoters, key managerial personnel or senior management, through social media intermediaries or mainstream media, in relation to material event and not available in public domain	
21	Voluntary revision of financial statements or the boards' report under section 131 of the Companies Act, 2013.	

## Insertions/ modifications under Schedule III (Para B of Part A)

Serial No.	Amended clause under Schedule III.A.B.	Additional reporting as per SEBI Circular of July 13, 2023
2.	<p><b>Change in general character or nature of business brought about by</b></p> <p>(a) arrangements for strategic, technical, manufacturing, or marketing tie-up; or</p> <p>(b) adoption of new line(s) of business; or</p> <p>(c) closure of operation of any unit, division <b>or subsidiary</b> (in entirety or in piecemeal)</p>	
5.	<p>Agreements (viz. loan agreement(s) <b>(as a borrower)</b> or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof</p>	<p>In case of loan agreements, details of lender/borrower, nature of the loan, total amount of loan granted/taken, total amount outstanding, date of execution of the loan agreement/sanction letter, details of the security provided to the lenders / by the borrowers for such loan <b>or in case outstanding loans lent to a party or borrowed from a party become material on a cumulative basis;</b></p>

## Insertions/ modifications under Schedule III (Para B of Part A)

Serial No.	Amended clause under Schedule III.A.B.	Additional reporting as per SEBI Circular of July 13, 2023
8.	<b>Pendency of</b> any litigation(s) or dispute(s) or the <b>outcome thereof which may have an impact on the listed entity</b>	<b>In case the amount involved in ongoing litigations or disputes with an opposing party become material on a cumulative basis</b> , then the same shall also be required to be disclosed to the stock exchange(s)
11.	Giving of guarantees or indemnity or becoming a surety, by whatever name called, for any third party	The above details for giving of guarantees or indemnity or becoming a surety, by whatever name called, including comfort letter, side letter, etc., shall also be required to be disclosed in case the amount involved in terms of outstanding guarantees, indemnity or surety for a third party become material on a cumulative basis.
13.	Delay or default in the payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority	<ul style="list-style-type: none"> <li>a) name of the authority;</li> <li>b) details of fines, penalties, dues, etc. including amount;</li> <li>c) due date of payment;</li> <li>d) reasons for delay or default in payment;</li> <li>e) impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible.</li> </ul> <p>In addition to the above, details of payment including date of payment and amount paid shall<sup>49</sup> be disclosed upon payment of the fines, penalties, dues, etc.</p>



Filling up casual vacancy in key positions



## Filling up vacancies in key positions – timelines specified to remove ambiguity

### ■ Which positions are covered?

Relevant Regulation	Deals with whom
Reg 17(1E)	Director
Reg 6(1A)	Compliance Officer
Reg 26A(1)	CEO, MD, WTD, Manager
Reg 26A(2)	CFO

- Timelines within which vacancy to be filled
  - Not later than 3 months from date of vacancy
- Timelines specified under CA
  - Sec 203 specifies 6 months in case of vacation of office of KMP
- **Is CS not covered?**
  - Same gets covered under Compliance Officer

- Vacancy arising from expiration of term of director
  - Timeline of 3 months is not applicable
  - To be filled not later than the date of vacation
    - Not required if the composition is in accordance with applicable laws
- Appointment in interim capacity
  - To be made in accordance with the laws applicable in case of a fresh appointment to such office,
    - **what does it imply?**
      - interim appointees should also be qualified to hold office as such
      - manner of appointment to be similar as that for a regular appointee
  - the obligations under such laws are made applicable to such person



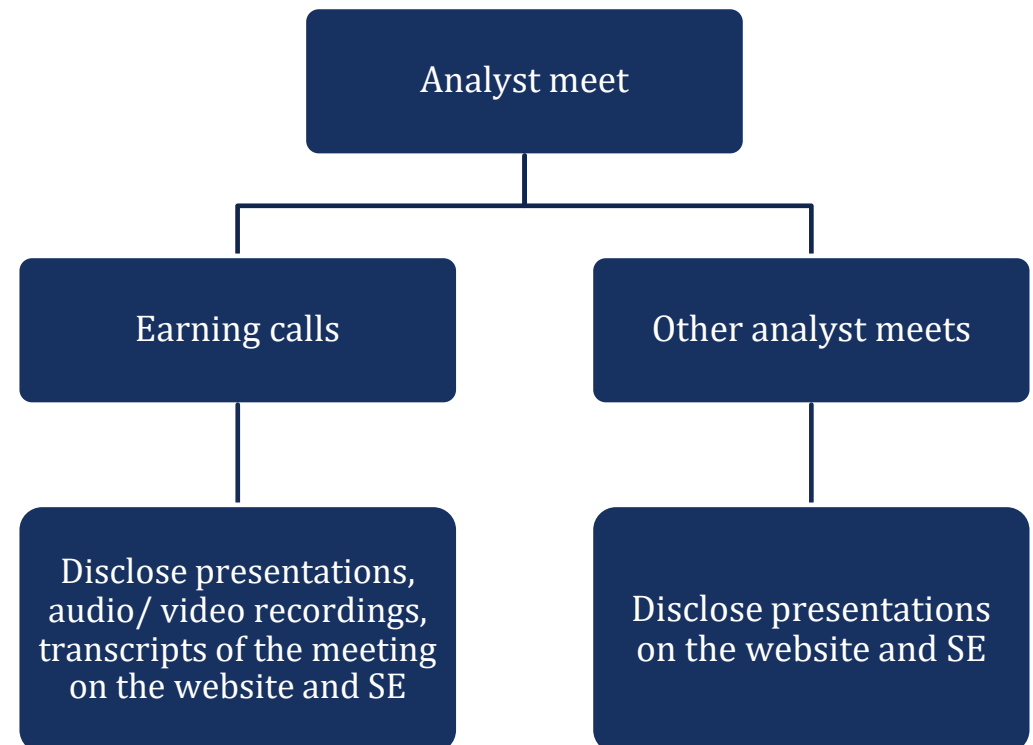
Analyst Calls and Investors Meet



# Sharing of information with Analysts

- PIT Regulations, presently, mandate companies to develop best practices to make transcripts or recordings of proceedings of analysts' meetings on the website to ensure official confirmation and documentation of disclosures made.
- Company needs to ensure that information shared with analysts and research personnel is not UPSI.
- Erstwhile PIT Regulations 1992 prescribed elaborate requirement in relation to analyst meets such as:
  - Only Public information to be provided
  - Recording of discussion
  - Handling of unanticipated questions
  - Simultaneous release of Information

- LODR mandates enhanced disclosure requirements with respect to analyst meets to avoid selective disclosure and information asymmetry.
  - covers only group meets



# Analyst/institutional Investor Meets and Presentations | LODR amendments and SE guidance notes

- ❑ Reg 30 read with Schedule III and Reg 46 of LODR
  - ❑ disclosure to be made to the SEs and website:
  - ❑ Schedule of analyst/institutional investors **meet** & the presentations (mandatory for group meets and not one-to-one meets)
    - ❑ **at least 2 working days in advance**
    - ❑ excluding date of intimation and date of meet
  - ❑ Presentation & audio/ video recording of post earning/ quarterly calls (*by whatever name called*) -
    - ❑ promptly- before the next trading day/ within 24 hours from the conclusion of the call, whichever is earlier
    - ❑ To be hosted on the website for atleast 5 years & thereafter as per archival policy
  - ❑ Transcripts – within 5 working days from conclusion of the calls
    - ❑ To be hosted on the website and preserved permanently
  - ❑ Audio/ video recordings, transcripts of post earning calls either conducted by company or any other entity to be disclosed
- ❑ The word '**meet**' has been defined as:
  - group meetings or group conference calls
  - conducted physically or through digital means.
  - No discussion in SEBI Board meeting on this.
- ❑ **What about one-on-one meets?**
  - Consultation paper provided for listed companies to provide number of such meetings as part of corporate governance report submitted by them to stock exchanges on a quarterly basis along with affirmation that no UPSI was shared by any official of the company in such meetings.
    - Not implemented.
- ❑ **Disclosure of UPSI**
  - If UPSI is shared in the meeting, audio/ video recordings or transcripts to be disclosed
  - Irrespective of whether it is group meet or one-to-one meet, whether it is organized by company or any other entity
  - No timeline provided, ideally should be disclosed promptly to ensure information symmetry.

# Analyst/institutional Investor Meets and Presentations | SE guidance note – July 29, 2022

- Prior to the call – submit schedule
  - details pertaining to the meet / call,
  - mode of attending,
  - details pertaining to registrations,
  - Disclaimers
    - ‘Company will be referring to publicly available documents for discussions during interaction in the meet/call’ or ‘No unpublished price sensitive information is proposed to be shared during the meeting / call’ to create confidence and maintain sanctity of the meet / call.
  - note to complete/ease registration/attending the call,
  - details regarding specific platform requirements, if any,
  - inclusions/exclusions of audience/participants if any,
  - presentation of earnings / open ended meet / call
    - in advance
    - adding to the best practice in the industry.
- During the call
  - avoid disclosing an UPSI during discussion in any meet / call;
  - if disclosed whether voluntarily / involuntarily, provide a prompt disclosure on occurrence of such instance.
- Post the call
  - Attachment of the copy of transcript to the corporate announcement submitted to the Exchange.
  - Providing exact web link to the website of the listed company instead of the home page where the document is uploaded.
  - List of management attendees
  - Recording the dialogues including but not limited to the presentation, the Q&As’, any assents / dissents and open points.
  - Confirmation that no unpublished price sensitive information was shared/discussed in the meeting / call.
  - Readable pdf to be uploaded.
  - Preservation of records
    - the recordings shall be maintained until the time of closure of any investigation undertaken on the business of the said meeting / call.
    - the transcripts of the meets / calls shall be hosted on the website of the listed company and preserved in permanently.



# Disclosure of certain agreements impacting listed entities

Insertion of Regulation 30A to Listing Regulations read with Clause 5A of Schedule III.A.A.



# Disclosure of agreements binding listed entities

What exactly is clause 5A of Sch. III.A.A	What exactly is the obligation on promoters and major shareholders /third parties		Some of the agreements that may potentially require disclosure
Clause 5A, Sch. III.A.A requires SE disclosure of certain agreements where LE may or may not be a party to the agreement	Since the listed entity may not be a party to the agreement, obligation is cast on the “agreement parties” to disclose their agreements to the LE		1. SHAs that deal with management or control of a listed entity. 2. Pledge of holdings by a holding company that may cause change of management 3. Territorial, product or business allocation agreements
A. Agreements impacting management or control B. Agreements, other than those in normal course of business, imposing restriction or creating a liability	Usually, SHAs, promoter agreements, family agreements, JV agreements, etc contain clauses on management/ control		
Parties to the agreement (“Agreement Parties”)	Timeline for subsisting agreements		These agreements may not come
promoters, related parties, directors, KMPs, employees, and at LE level, or holding entity, subsidiary or associate	For Agreement Parties	31 <sup>st</sup> July, 2023	1. Lending agreements requiring lender approval for change of control 2. Agreements which are already shareholder approved or public, with requisite disclosures, E.g. - RPTs
<b>Does an MOU require disclosure:</b> Non-enforceable understanding may not be an “agreement”	For LE to <ul style="list-style-type: none"><li>Intimate to SE</li><li>Put on website</li></ul>	14 <sup>th</sup> August 2023	

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# Framework for sale, lease or disposal of undertaking by a listed entity

Insertion of Regulation 37A of Listing Regulations



# Disposal of undertaking by listed entity outside scheme of arrangement

- Applicable on sale, lease or otherwise disposal of

- Whole or substantially the whole of 'undertaking' of LE

- As defined u/s 180(1)(a) of CA (*refer next slides*)

- **Exclusions from requirement**

- Transfer to WoS exempt

- However, subsequent transfer from WoS is covered

- Compliance to be ensured prior to dilution of stake below 100%

- by virtue of a covenant covered under an agreement with an RBI reg. financial institution or SEBI regd. DT

- **Approvals required**

- Prior approval of shareholders through special resolution **(SR)**, and

- Approval of majority of public shareholders **(MoM)**

- Votes of public shareholder being a party to such disposal, directly or indirectly, to be excluded

- **Disclosures required (in expl. statement to SH)**

- object and commercial rationale of such sale/disposal

- Use of proceeds arising therefrom

# Meaning of “undertaking” and “substantially whole of undertaking”

- Explanation (i) to Section 180(1)(a) of CA
  - “undertaking” shall mean an **undertaking** in which
    - the **investment** of the company **exceeds twenty per cent. of its net worth** as per the **audited balance sheet** of the **preceding financial year**
    - or an undertaking which **generates twenty per cent. of the total income of the company** during the **previous financial year**;
  - Therefore, ‘undertaking’ u/s 180 require meeting the twin tests –
    - Subjective meaning of ‘undertaking’ to be met
    - Quantitative thresholds of investment or income to be triggered
  - “Undertaking” is not a defined term
    - Reference may be drawn from other laws and judicial precedents on the subject
- Explanation (ii) to Section 180(1)(a) of CA
  - the expression “substantially the whole of the undertaking” in any financial year shall mean
    - **twenty per cent. or more of the value of the undertaking** as per the **audited balance sheet of the preceding financial year**;

# Interpretation of the term “undertaking”

- Explanation to sec 2(19AA) of IT Act

*“any part of an undertaking or a unit or division of an undertaking or a business activity **taken as a whole, but does not include individual assets or liabilities** or any combination thereof **not constituting a business activity.**”*

- Sec 2(v) of the Monopolies and Restrictive Trade Practices Act

*“undertaking” means an **enterprise** which is, or has been, or is proposed to be, **engaged in the production, storage, supply, distribution, acquisition or control of articles or goods, or the provision of services**, of any kind, either directly or through one or more of its units or divisions, whether such unit or division is located at the same place where the undertaking is located or at a different place or at different places.*

- Rustom Cavasjee Cooper vs Union of India

- SC held that 'undertaking' means the entire organization
- entire business of the going concern is embraced within the word 'undertaking'

- International Cotton Corpn. (P.) Ltd. v. Bank of Maharashtra

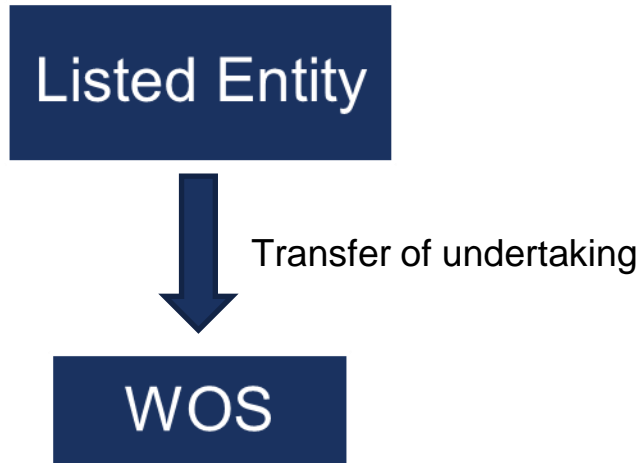
- undertaking of the company must be distinguished from the other properties belonging to the company

- Madras Gymkhana Club Employee's Union v. Management

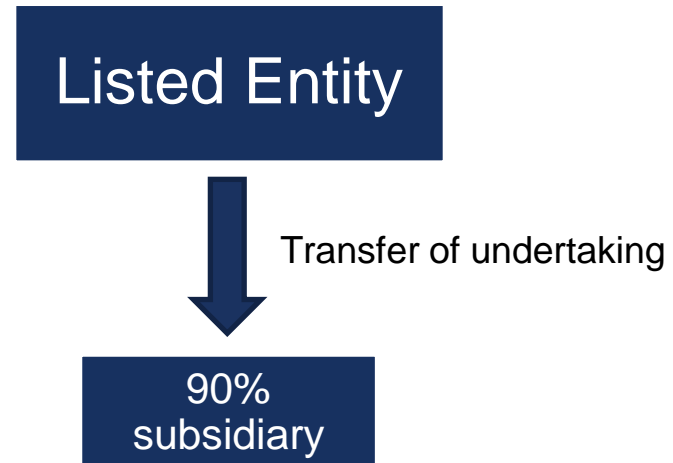
- any business or any work or project which one engages in or attempts as an enterprise analogous to business or trade

# Applicability of Regulation 37A: Various Cases

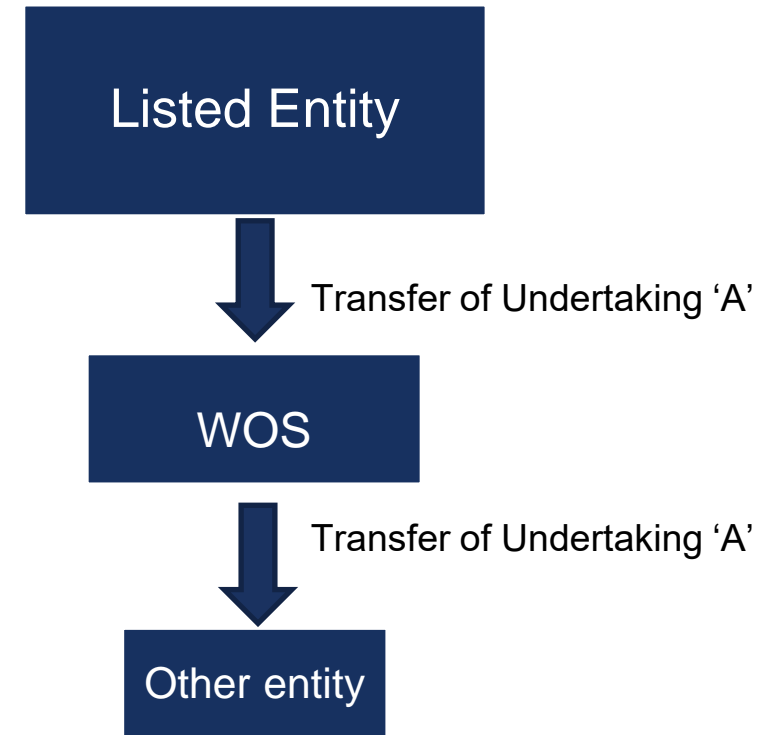
## CASE 1



## CASE 2

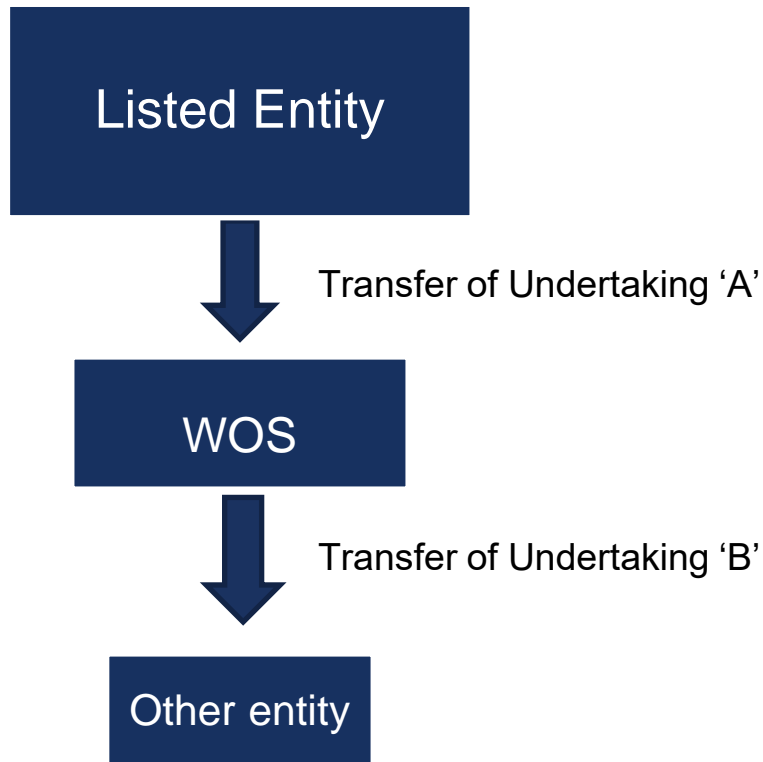


## CASE 3

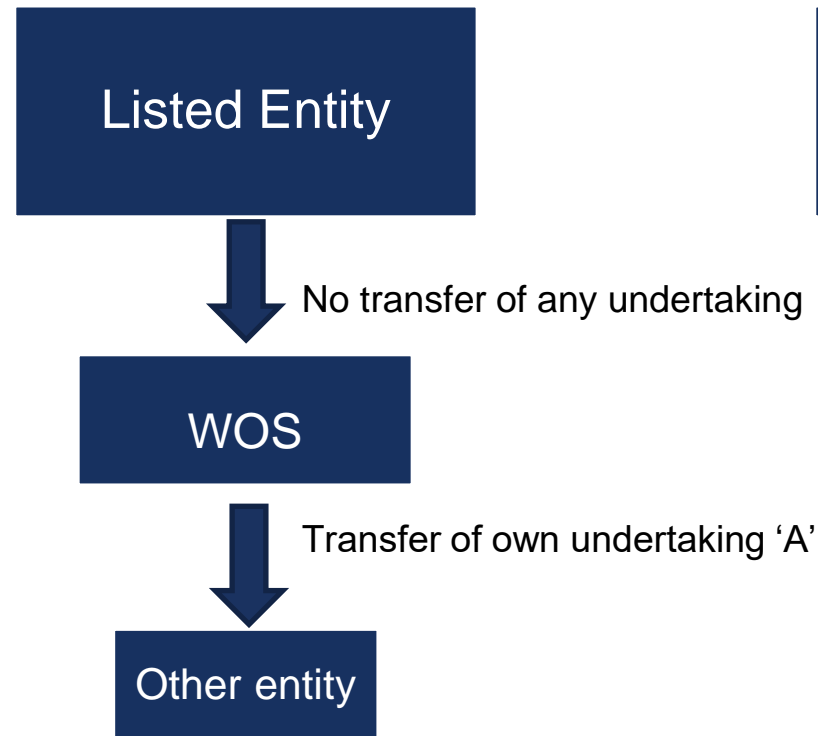


# Applicability of Regulation 37A: Various Cases

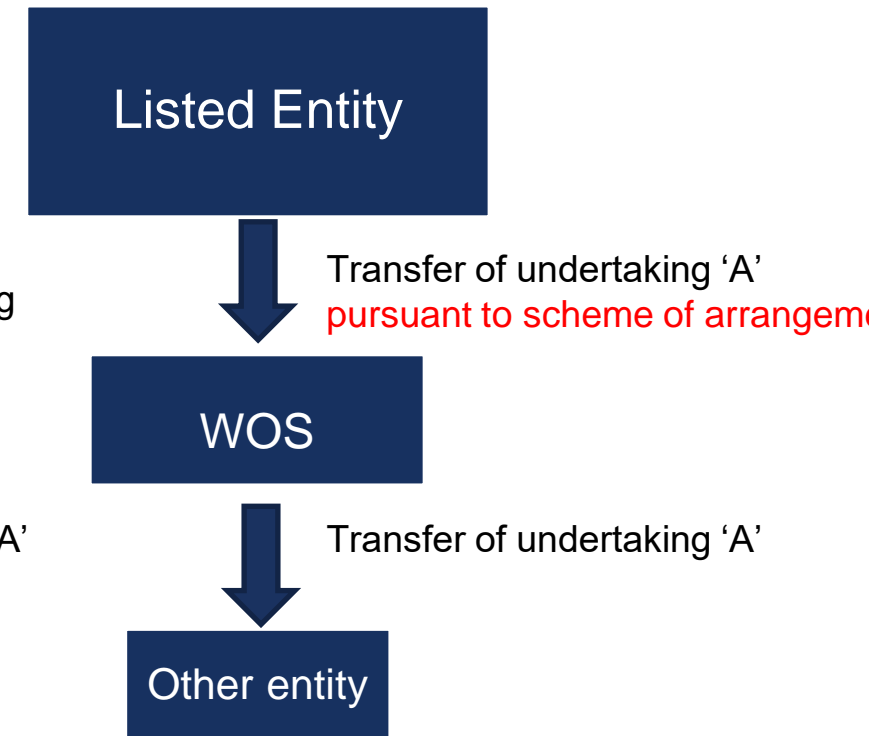
## CASE 4



## CASE 5



## CASE 6





## Removing board permanency



# Removing permanent board seats in listed entities

- Reg 17(ID) of Listing Regulations
- Fresh approval of shareholders **once in every 5 years**
  - W.e.f. 1<sup>st</sup> April, 2024
- For directors continuing for more than 5 years as on 31<sup>st</sup> March, 2024
  - Approval to be obtained in the **first general meeting held after 31<sup>st</sup> March, 2024**
- Who would be covered?
  - Generally promoter NEDs who are appointed without a fixed term
- **Non-applicability**
  - WTD, MD, Manager, ID
    - Term cannot exceed 5 years at a time as per extant provisions already
  - Director retiring as per Sec 152(6) of CA
    - 1/3<sup>rd</sup> of rotational directors retire at every AGM and placed before shareholders for approval
  - Director appointed pursuant to the order of a Court or a Tribunal
  - Nominee director of the Government on the board of LE
    - other than a public sector company
  - Nominee director of a financial sector regulator on the board of LE
  - Nominee director of RBI reg fin institution or SEBI regd DT
    - Under an existing lending/ debenture subscription agreement

## Our Resources

- [Thorough with Thirty: Series of videos on Reg 30 amendments](#)
- [Disclosure of shareholders' pacts: Jo wada kiya wo bataana padega](#)
- [LODR Reg 30 changes: Clause-by-clause guide to implementation](#)
- [Regulation 30: Disclosure of Regulatory and similar Actions](#)
- [FAQs on LODR Second Amendment Regulations, 2023](#)
- [Getting material on “material” events and information](#)
- [Stricter framework for sale, lease or disposal of undertaking by a listed entity](#)

***Our “LODR Resource Centre” can be accessed here***