

# LODR Regulation 30 changes: Clause-by-clause guide to implementation

Vinod Kothari and Vinita Nair  
Vinod Kothari and Company

Kolkata:

1006-1009, Krishna Building  
224 AJC Bose Road  
Kolkata – 700 017  
Phone: 033 2281 3742/7715  
Email:  
corplaw@vinodkothari.com

New Delhi:

Ras Vilas, 501 & 501A, Salcon  
Rasvilas, District Centre, Saket,  
New Delhi - 110017  
Phone: 011 6551 5340  
Email: delhi@vinodkothari.com

Mumbai:

403-406, Shreyas Chambers  
175, D N Road, Fort  
Mumbai  
Phone: 022 2261 4021/ 62370959  
Email: mumbai@vinodkothari.com

Bengaluru:

Rent A Desk  
4, Union Street, Infantry Rd,  
Shivaji Nagar  
Bengaluru- 560001  
Phone: 033 2281 3742  
Email: corplaw@vinodkothari.com

Reach us on social media:



# Copyright & Disclaimer

- This presentation is only for academic purposes; this is not intended to be a professional advice or opinion. Anyone relying on this does so at one's own discretion. Please do consult your professional consultant for any matter covered by this presentation.
- The contents of the presentation are intended solely for the use of the client to whom the same is marked by us.
- No circulation, publication, or unauthorised use of the presentation in any form is allowed, except with our prior written permission.
- No part of this presentation is intended to be solicitation of professional assignment.

# 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***

# Outline

- Overview of amendments under Reg 30
- Provisions governing disclosure of information
  - Broad overview of Reg 30
  - Broad overview of Part A of Schedule III
- Point of disclosure of material event or information
- Tests for determination of materiality of information or events
  - calculating materiality thresholds
  - value vs expected impact in terms of value
  - rule of correspondence in determining materiality
  - meaning and relevance of significant market reaction
- Reporting continuing events or information
- Mandatory verification of market rumours
  - meaning of market rumours
  - responding to rumours
  - current stage of information
- Disclosure of agreements impacting listed entities
- Understanding the concept of Senior Management Personnel
- Policy review in line with amendments
- Disclosure of regulatory actions to stock exchanges
- Other amendments to Schedule III
  - Insertion of new clauses
  - Expansion of existing clauses
  - Guidance/ reporting as per SEBI Circular
- Revised timelines for disclosure of information

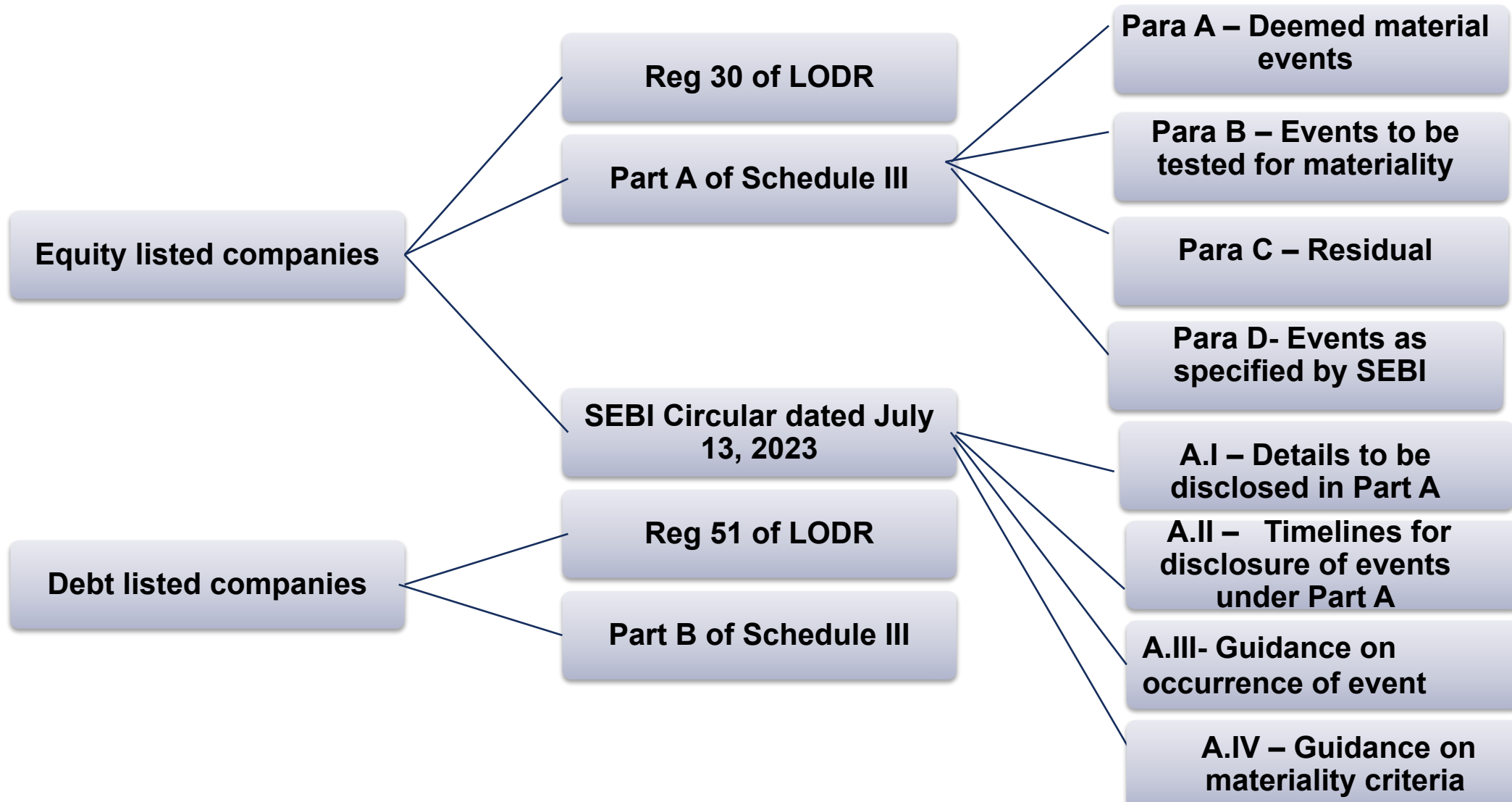
## Overview of amendments in Reg 30

- **Quantification of criteria** for determination of “materiality” of events and/ or information
  - Based on a thresholds of turnover, net worth or net profit/ loss after tax on a consolidated basis
- **Amendment in policy** for determination of materiality of events/ information
  - To assist “relevant employees” in escalation of material information to authorized KMPs
- **Revision in timelines** for disclosure of material event/ information
  - Reduced to 12 hours in case of information emanating within the listed entity
    - within 30 minutes from conclusion of board meeting where the decision was made in board meeting
- **Mandatory verification of market rumours**
  - Top 100 w.e.f. February 1, 2023 (250 w.e.f. August 1, 2024) to mandatorily confirm, deny or clarify reported event pertaining to impending material information reported on mainstream media
- **Disclosure of communication** received from any regulatory, statutory, enforcement or judicial authority
  - If an event or information is required to be disclosed pursuant to receipt of such communication
  - Not required if disclosure of the communication is prohibited by the authority
- Amendments to the list of events/information indicated under **Schedule III**
  - **New disclosures** and change in existing disclosures, along with **shuffling from “tested” material to “deemed” material**

# 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

# Provisions governing disclosure of material events and information



## 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



# 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”**



## Mandatory verification of market rumours





## Verification of market rumours by listed entities

Existing provision	Insertions pursuant to amendments
<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 February 1, 2023)</b> and thereafter the <b>top 250 listed entities (with effect from August 1, 2024)</b> shall <b>confirm, deny or clarify</b> any reported event or information in the mainstream media 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</b> are circulating amongst the investing public, 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 February, 2023 - for top 100 listed entities
  - 1st August, 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;

# 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>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>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>
<p>If answer to both is “no”, the matter does not come u/r 30</p>	<p>After checking the rumour, respond to SE</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>



# Disclosure of certain agreements impacting listed entities

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



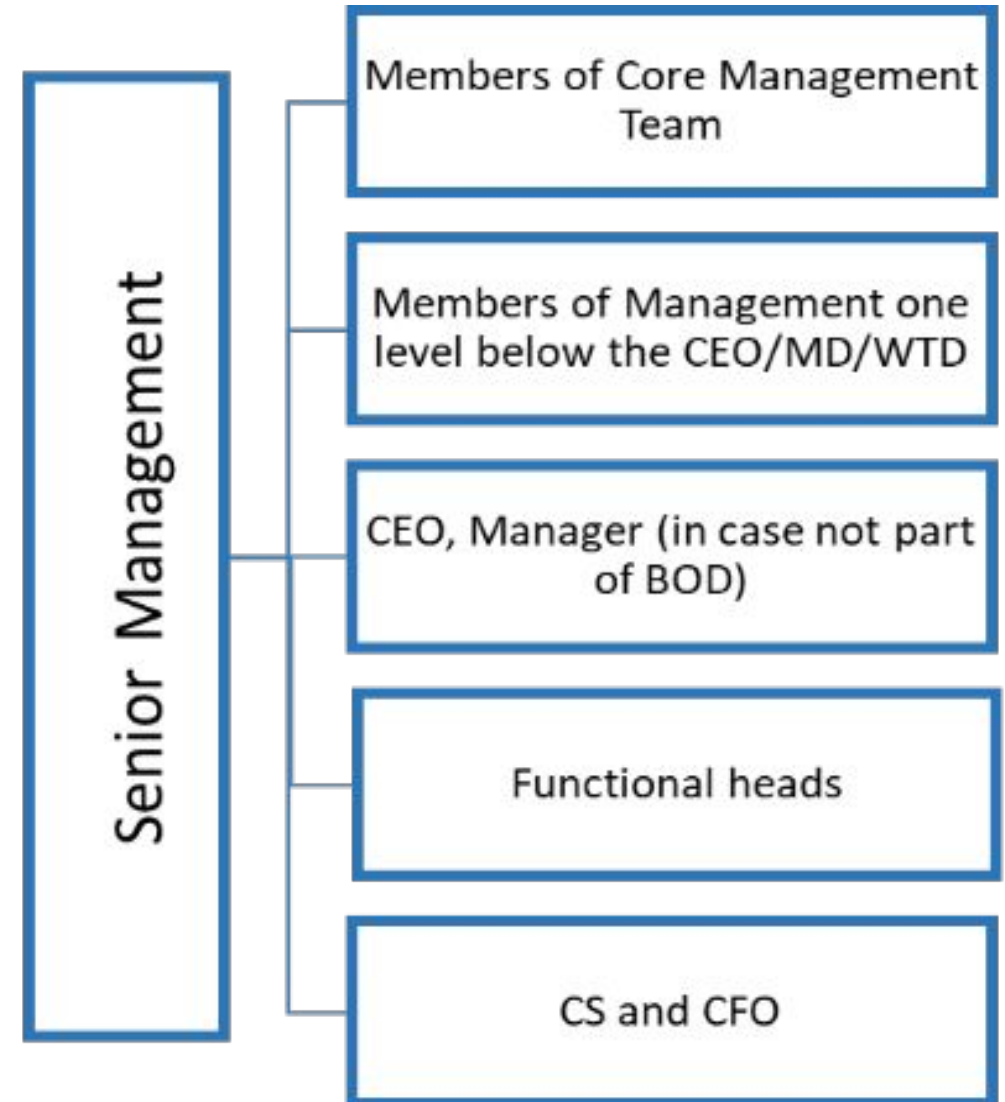
# Disclosure of agreements binding listed entities

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 4. Agreements for ESOPs or warrants not approved or public
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	

23

## 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
- Disclosure of list of SMPs to be given in Annual Report [Clause 5B of CG Report under Schedule V]
  - including changes therein
- SMP related disclosures that get attracted
  - Fraud/ default by SMP [clause 6 of Para A of Part A of Sch III]
  - 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]







# 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	Guidance on the amended clauses
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>		<ul style="list-style-type: none"> <li>-Default is limited to financial default only</li> <li>-Definition of fraud is inclusive</li> <li>-Disclose as soon as such fraud or default unearthed</li> </ul>

**‘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	Guidance on the amended clauses
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		-Only material product launch shall be Advertised
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	Guidance on the amended clauses
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)	-The disclosure of the said litigation will be required at the time of institution, that is, initiation of the proceedings, as also any final or interim orders.
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.	-Both monetary and non-monetary guarantees / indemnity / surety, if material shall be disclosed.
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 be disclosed upon payment of</p>	



# Amending timelines for disclosure of events or information

Stricter timelines for events emanating within the listed entity



# Stricter timelines for disclosure of material events and information (1/2)

- Reg 30(6) specifies timelines for disclosure of material events and information
- Guidance on information emanating/ not emanating within the organization may be referred to in Consultation Paper
- Timeline for disclosure of material events/ information given in Part A of Schedule III has been specified in [SEBI Circular dated 13<sup>th</sup> July, 2023](#)

Extant Regulations	Amendment Regulations
<p>The listed entity shall first disclose to stock exchange(s) of all events, as specified in Part A of Schedule III, or information as soon as reasonably possible <b>and not later than twenty four hours from the occurrence of event or information:</b></p> <p>Provided that in case the disclosure is made after twenty four hours of occurrence of the event or information, the listed entity shall, along with such disclosures provide explanation for delay:</p> <p>Provide further that disclosure with respect to events specified in sub-para 4 of Para A of Part A of Schedule III shall be made within the timelines specified therein</p>	<p>The listed entity shall first disclose to the stock exchange(s) all events or information which are material in terms of the provisions of this regulation as soon as reasonably possible and in any case not later than the following:</p> <p>(i) <b>thirty minutes</b> from the <b>closure of the meeting of the board of directors</b> in which the decision pertaining to the event or information has been taken;</p> <p>(ii) <b>twelve hours</b> from the occurrence of the event or information, in case the event or information is <b>emanating from within the listed entity</b>;</p> <p>(iii) <b>twenty four hours</b> from the occurrence of the event or information, in case the event or information is <b>not emanating from within</b> the listed entity:</p> <p>Provided that disclosure with respect to events for which timelines have been specified in Part A of Schedule III shall be made within such timelines:</p> <p>Provided further that in case the disclosure is made after the timelines specified under this regulation, the listed entity shall, along with such disclosure provide the explanation for the delay.</p>



## Stricter timelines for disclosure of material events and information (2/2)

Nature of information	Timelines for disclosure
Developments happening or information originating within a listed entity	Within 12 hours
Information originating outside a listed entity that is informed to the same by a third party	Within 24 hours
Outcome of board meeting for matters specified in Schedule III	Within 30 minutes from conclusion of board meeting
Detailed reasons and other disclosures pertaining to resignation of independent director, KMP, SMP, Compliance Officer, directors	Within 7 days from date of resignation
Schedule of analysts or institutional investors meet	At least 2 clear working days in advance
Presentation and audio/ video recording of analyst/ investor meet	before the next trading day or within 24 hours from the conclusion of such calls, whichever is earlier
Transcripts of analyst/ investor meet	Within 5 working days of conclusion of such call

## Events/ information to be disclosed within 12 hours\* (Para A Part A)

- Acquisition (including agreement to acquire), Scheme of Arrangement (amalgamation/ merger/ demerger/restructuring), or sale or disposal of any unit(s), division(s), the whole or substantially the whole of the undertaking, or subsidiary, or sale of the stake in associate company of the listed entity or any other restructuring
- Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc
- Agreements which are binding and not in the normal course of business, revision(s), amendment(s) thereof, where listed entity is a party
- Agreements impacting listed entity where listed entity is a party
- Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), senior management, Auditor and Compliance Officer (except for resignation)
- Managing Director or the Chief Executive Officer of the listed entity is indisposed or unavailable to fulfil requirements of his/her role in a regular and consistent manner
- Appointment or discontinuation of share transfer agent.
- Issuance of Notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity.
- Proceedings of Annual and extraordinary general meetings of the listed entity
- Amendments to memorandum and articles of association of listed entity, in brief
- Initiation of Forensic audit, if initiated by the listed entity
- Voluntary revision of financial statements

## Events/ information to be disclosed within 24 hours\* (Para A Part A)

- New Ratings(s) or Revision in Rating(s)
- Agreements which are binding and not in the normal course of business, revision(s), amendment(s) thereof, where listed entity is a party
- Agreements impacting listed entity where listed entity is not a party
- Fraud/defaults by promoter or director or key managerial personnel or senior management or subsidiary or by listed entity or arrest of key managerial personnel or senior management or promoter or director.
- Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), senior management, Auditor and Compliance Officer due to resignation
- Resolution plan/ Restructuring in relation to loans/borrowings from banks/financial institutions
- One time settlement with a bank
- Winding-up petition filed by any party / creditors
- CIRP related events
- Initiation of Forensic audit, if initiated by external agency
- Announcement or communication through social media intermediaries/ mainstream media in relation to any event/ information which is material for the listed entity in terms of reg 30 and is not already made available in the public domain.
- Action(s) initiated or orders passed by any regulatory, statutory, enforcement authority or judicial body against the listed entity or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the listed entity

## Events/ information to be disclosed within 12 hours\* (Para B Part A)

- Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division
- arrangements for strategic, technical, manufacturing, or marketing tie-up; or adoption of new line(s) of business; or closure of operation of any unit, division, or subsidiary (entirety or piecemeal)
- Capacity addition or product launch.
- Agreements (viz. loan agreement(s) 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, where listed entity is a party
- Options to purchase securities including any ESOP/ESPS Scheme
- Giving of guarantees or indemnity or becoming a surety, by whatever name called, for any third party

## Events/ information to be disclosed within 24 hours\* (Para B & C Part A)

- Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business.
- Agreements (viz. loan agreement(s) 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, where listed entity is not a party
- Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.
- Effect(s) arising out of change in the regulatory framework applicable to the listed entity.
- Pendency of any litigation(s) or dispute(s) or the outcome thereof which may have an impact on the listed entity
- Frauds or defaults by employees of the listed entity which has or may have an impact on the listed entity.
- Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals
- Delay or default in the payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority
- 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

*\*Note: In case the event or information emanates from a decision taken in a meeting of board of directors, the same shall be disclosed within thirty minutes from the closure of such meeting as against the timeline already indicated.*