

# Update

## SME Listing requires Compliance Certificate: Role of PCS Enhanced

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## *Opportunity for PCS: SME Listing requires Compliance Certificate from PCS*

### *Update*

In recognition of the role of Small and Medium Enterprises (“SMEs”) in economic development of the country, Securities and Exchange Board of India (“SEBI”) and the Stock Exchanges have laid down a conducive regulatory framework for raising resources by SMEs from the market and last year, Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) had provided a listing platform for SMEs keeping in view the interests of investors. According to the framework, a SME meeting with the norms of listing on SME platform of a Stock Exchange can raise resources from the market. These norms inter-alia include requirement to meet prescribed minimum application and trading lot size, minimum public shareholding of 25%, sound track record for previous two years, minimum number of allottees and reporting requirements.

BSE vide its circular dated 26<sup>th</sup> November 2012<sup>1</sup>, as part of the conditions for listing on SME platform through IPO, had desired the company to file a Compliance Certificate by a Practicing Company Secretary (“PCS”) as per the guidance note issued by the Institute of Company Secretaries of India (“ICSI”) as and when such a certification is made applicable by the SME Platform of BSE<sup>2</sup>. The Compliance Certificate may be submitted to the Stock Exchanges while seeking the ‘in-principle’ approval for listing of shares in SME Exchange. Such Certificate seeks to provide comfort and assurance to the SEBI and Stock Exchanges to the effect that the proposed listing of SMEs conforms to the regulatory prescriptions.

Accordingly, in this month, ICSI, in consultation with BSE and NSE, have developed the format of Compliance Certificate to be issued by a PCS and also a Guidance Note for their use. The Guidance Note requires the PCS to verify the level of adherence of the SME to the Companies Act, Listing Agreements, SEBI Act, Securities Contracts (Regulation) Act and the Rules/Regulations made there under. The format of Compliance Certificate as prescribed by ICSI<sup>3</sup> presently has been divided into 13 big heads and PCS are to affix a list of documents seen (based on which certificate has been prepared) along with the certificate. A detailed checklist has also been provided by ICSI for this purpose.

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<sup>1</sup> The BSE Circular is available at

<http://www.bseindia.com/markets/MarketInfo/DispNoticesNCirculars.aspx?page=20121126-17>

<sup>2</sup> A note on the circular is available at <http://india->

[financing.com/BSE\\_issues\\_additional\\_norms\\_for\\_listing\\_and\\_migration\\_for\\_SME\\_companies\\_leading\\_to\\_additional\\_clamps.pdf](http://india-financing.com/BSE_issues_additional_norms_for_listing_and_migration_for_SME_companies_leading_to_additional_clamps.pdf)

<sup>3</sup> The Guidance note and the format of Compliance Certificate are available at

<http://www.icsi.edu/WebModules/Linksofweeks/COMPLIANCE%20CERTIFICATE%20AND%20GUIDANCE%20NOTE%20FOR%20LISTING%20OF%20SMEs.pdf>



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#### **Conclusion**

The scope of Compliance Certificate is wide enough to include certification of the compliance of applicable provisions of major corporate laws. The PCSs have been made more responsible to implement the regulatory framework and is expected to adhere to the highest standards of professional ethics, excellence and due diligence and exercise great care and caution while issuing the Compliance Certificate and at the same time, PCSs are to ensure the confidentiality of all information pertaining to the company for which he is issuing the Certificate. Such step of SEBI requiring certification by PCS will not only increase opportunities for PCSs but will provide a comfort and assurance to SEBI and Stock Exchanges on the status of applicant company.

#### **Our other relevant Articles and Presentations relating to SMEs**

See our presentation on MSMEs and Listing Platform for SMEs at [http://india-financing.com/Presentation\\_on\\_%20a\\_new\\_era\\_for\\_MSMEs\\_with\\_both\\_NSE\\_and\\_BSE\\_providing\\_trading\\_platform.pdf](http://india-financing.com/Presentation_on_%20a_new_era_for_MSMEs_with_both_NSE_and_BSE_providing_trading_platform.pdf)

An article on SME funding and securitization at  
<http://www.vinodkothari.com/smefunding.htm> and  
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