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Consultation paper to facilitate ease of doing business and harmonise ICDR and Listing Regulations

On 26 June 2024, SEBI issued a Consultation Paper (CP) proposing amendments to certain SEBI Regulations. These proposals have been issued with an aim to facilitate ease of doing business and harmonise the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations). The CP is divided in the following three parts:

Part A: Proposals under the Listing Regulations

Part B: Proposals under the ICDR Regulations

Part C: Proposals under the Listing and ICDR Regulations.

Some of the key proposals are as follows:

Part A: Proposals under the Listing Regulations

I. Related Party Transactions (RPTs)

Exemptions to the definition of RPT (Regulation 2(1)(zc)): Following items have been proposed to be exempt from the definition of RPTs:

- Corporate actions by the subsidiaries of a listed entity and corporate actions

received by the listed entity or its subsidiaries which are uniformly applicable or offered to all shareholders in proportion to their shareholding.

- Acceptance of current account deposits or saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India (RBI).
- Retail purchases from a listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable or offered to all directors and employees.

Approval of RPTs by the audit committee of the listed entity (Regulation 23(2)):

As per the existing regulation, prior approval of the audit committee of the listed entity is required for all RPTs to which the listed entity is a party. It has been proposed to exclude from the purview of RPTs the remuneration to directors and Key Managerial Personnel (KMP), except those KMPs who are a part of the promoter/promoter group. Further, it is proposed to permit ratification of transactions which exceed the omnibus approval limit, within a specified timeline.

II. Filings and disclosures

Single filing system (Regulation 10):

Introduction of a system that automatically disseminates the filing done on one stock exchange to the other stock exchanges using an Application Programming Interface (API) - based integration has been proposed.

Periodic filings (Regulation 10B): To minimise the number of periodic filings by a listed entity, it is recommended to merge the periodic filings under the Listing Regulations into two broad categories:

- **Integrated filing (Governance)** comprising of corporate governance report, statement on redressal on investor grievance.
- **Integrated filing (Financial)** comprising of financial results, statement of deviation in use of proceeds, related party transactions etc.

Below are the proposed timelines for filing by listed entities:

- **Integrated filing (Governance):** Within 30 days from the end of the quarter
- **Integrated Filing (Financial):** Within 45 days (60 days for the last

quarter) from the end of the quarter.

System driven disclosures of certain filings (Regulation 31 and Para A of Part A of Schedule III of the Listing Regulations):

It is proposed to introduce an automated process of disclosure of shareholding pattern and new or revised credit ratings. Automation for the above-mentioned disclosures would ease the compliance procedures and reduce the burden of disclosures for listed entities.

Website links (Regulation 46(2)):

The information/data provided by listed entities is hosted on the website of stock exchanges. It has been proposed to provide curated links to the information/data on their own websites instead of duplicating the whole data again.

Newspaper advertisements (Regulation 47): The requirement of publishing detailed advertisements in newspapers for financial results is proposed to be made optional for listed entities. Further, it has been proposed to provide a small section with details of QR code and weblink of the page providing detailed financial results of the listed entity for the benefit of investors.



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III. Disclosure of material events

Additional timeline for disclosure of events in some cases:

- For the disclosure of outcome of the board meeting that concludes after close of trading hours, an increased timeline of three hours instead of 30 minutes has been proposed under Regulation 30(6) and Para A of Part A of Schedule III of the Listing Regulations.
- In case of litigations or disputes wherein claims are made against the listed entity, an increased timeline for disclosure to 72 hours has been proposed from the existing 24 hours under Para B of of Part A of Schedule III of the Listing Regulations.

Acquisitions by listed entities (Para A of Part A of Schedule III of the Listing Regulations):

It is proposed that a listed entity should disclose details of acquisition made by the listed entity, whether directly or indirectly, where such a listed company holds shares or voting rights in a company, whether listed or unlisted, aggregating to 20 per cent (currently five per cent) or there has been any subsequent change in holding in the company exceeding five per cent (currently two per cent). However, acquisition of shares or voting rights in an unlisted company, aggregating to five per cent or any subsequent change in holding exceeding

two per cent, to be disclosed in the specified format on a quarterly basis as part of the Integrated Filing (Governance) as described in point II above.

Disclosure of tax litigations and disputes (Para B of Part A of Schedule III of the Listing Regulations):

It is proposed that a listed entity should disclose tax litigations/disputes including tax penalties based on application of criteria for materiality. It has been proposed that a listed entity should provide:

- Disclosure of new tax litigations or disputes within 24 hours
- Quarterly updates, as part of the Integrated Filing (Governance), on existing tax litigations or dispute
- Tax litigations or disputes, the outcomes of which are likely to have a high correlation, should be cumulated for determining materiality.

IV. Board of directors and its committees

Vacancies in board committees (Regulation 17(1E)):

The existing regulations provide no specific timeline to fill up vacancies in Board Committees arising because of vacancy in the office of a director. In order to provide adequate time to listed entities, a timeline of three months has been proposed to fill up vacancies in Board Committees.



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Timeline for obtaining shareholders' approval for appointment/re-appointment of director (Regulation 17(1C)): Regulation 17(1C) of the Listing Regulations requires approval of shareholders for any person appointed on the board of a listed entity within a period of three months or the next general meeting, whichever is earlier. It has been proposed to exclude the time taken for regulatory or statutory or government approvals for appointment or reappointment of a person as a director for determining the time limit under regulation 17(1C) of the Listing Regulations.

V. Promoters and controlling shareholders

Framework for reclassification of promoter/promoter group entities (Regulation 31A):

Regulation 31A of the Listing Regulations lays down the procedure to be followed for reclassification of an entity belonging to promoter or promoter group as a public shareholder. The consultation paper has proposed changes to the framework for reclassification of promoter or promoter group entities as public under the Listing Regulations. Some of the proposed procedural changes are as follows:

- The board of directors to consider the request for reclassification in the immediate next board meeting or within two months, whichever is earlier.



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- Listed entity to make an application to the recognised stock exchanges for their no-objection within five days of obtaining the board's views on the reclassification request.
- The recognised stock exchanges would be required to provide No-Objection Certificate (NOC) within 30 days from the submission of the request. If there are changes in the facts and circumstances after receipt of NOC, the listed entity need to seek stock exchange approval before effecting reclassification.
- After receipt of NOC from stock exchanges, the listed entity would seek shareholders' approval for reclassification within 60 days.
- Upon receipt of shareholder approval, the listed entity to notify the stock exchanges within five days and effect reclassification of the entity.

Obligation for disclosure of information to the listed (Regulation 5):

Under the existing regulation there is no specific obligation on promoter(s), directors, KMPs to make specified disclosures to the listed entity. The report proposes to cast obligation on the promoter, directors and KMPs to disclose all information that is relevant and necessary for the listed entity to ensure compliance with applicable laws.



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VI. Other compliance requirements

Subsidiary related compliance requirements (Regulation 24(6)): The requirement of shareholders' approval under Regulation 24(6) for sale, disposal or lease of assets of a material subsidiary has been proposed to be removed in case such sale, disposal or lease of assets occurs between two wholly owned subsidiaries of the listed entity.

Corporate governance at listed entities (Part E of Schedule II of the Listing Regulations): The SEBI has proposed to extend the applicability of the following provisions to the top 2,000 listed entities:

- Appointment of one-woman independent director on the board
- Constitution of a risk management committee
- Mandating more annual meetings of independent directors.

Currently, the above-mentioned provisions are applicable to the top 1,000 listed entities.

Virtual and hybrid shareholders' meetings (Regulation 44(4)): It is proposed to allow virtual and hybrid general meetings, with the



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notice period for such meetings reduced from 21 days to seven days. Further it has been proposed to remove the requirement of proxy forms for general meetings.

Annual reports (Regulation 36(2)): The requirement of sending physical copies of annual reports to shareholders whose email ids are not available has been proposed to be removed. Such shareholders should be sent a letter with a link from which the annual report can be downloaded. Annual reports need to be submitted to the stock exchange on or before commencement of its dispatch to the shareholders.

Part B: Proposals under the ICDR Regulations

I. Eligibility conditions of an Initial Public Offer (IPO) (Regulation 5): The consultation paper provides flexibility under eligibility conditions for an IPO by allowing issuers with outstanding Stock Appreciation Rights (SARs) to file Draft Offer Document (DRHP) where such SARs are granted to employees only and are fully exercised for equity shares prior to the filing of the Red Herring Prospectus (RHP).

II. Public announcement after filing of draft offer document (Regulation 26): It has been proposed to change the requirement of issuing advertisement post filing of DRHP from two days to 'two working days'. Further the 21 days comment period should be calculated from the date of advertisement and not the date of filing.

III. Pre-IPO transactions (Regulation 54): It has been recommended to disclose details of pre-IPO transactions after filing of DRHP to the stock exchanges.

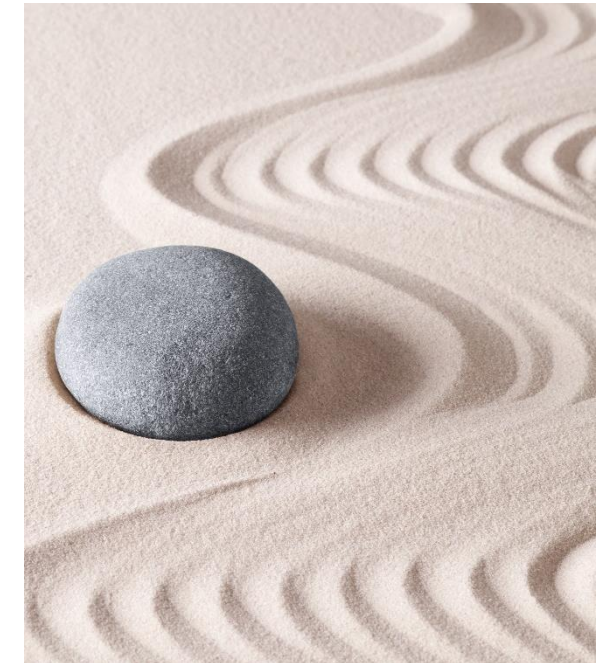
Part C: Proposals under the Listing and ICDR Regulations

- I. Definition of material subsidiary thresholds:** The financial line items for identification of a material subsidiary under the ICDR and the Listing Regulations are different. It is proposed that the terminology for identification of a material subsidiary under both the regulations should be aligned and both regulations should refer to consolidated 'turnover' instead of 'income'.
- II. Disclosure of material agreements in offer documents:** The requirement of disclosure of material agreements in offer documents that are entered into by shareholders, promoters, directors, etc. should be aligned

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under both the regulations in order to ensure parity in disclosures of material agreements.

(Source: SEBI issued consultation papers on the recommendation of the expert committee for facilitating ease of doing business with respect to Business Responsibility and Sustainability Report (BRSR) dated 22 May 2024 and provisions of Listing and ICDR regulations dated 26 June 2024)





Submission of a trading plan by the insiders of a listed entity

On 25 June 2024, SEBI issued amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) related to the concept of a trading plan.

Some of the key amendments are as follows:

- I. Reduced cooling-off period:** Regulation 5 provides that an insider can formulate and submit a trading plan to the compliance officer for approval and public disclosure pursuant to which trades can be conducted on his behalf in accordance with such plan. The regulations specify a cool-off period between public disclosure and commencement of trading. The amendment has reduced the minimum cool-off period between disclosure of trading plan and implementation of trading plan to 120 days from six months.
- II. Trading limits:** The amended provision requires an insider to set certain parameters such as specific date or duration not exceeding five consecutive trading days during which their trades should be executed.

III. Price range for trading plan:

The amendment provides an insider with an option to set an upper price limit for a buy trade and a lower price limit for a sell trade. The range for a buy trade can be up to 20 per cent higher than the closing price and for a sell trade can be up to 20 per cent lower than the closing price.

- IV. Removal of restrictions:** The amendment has removed the restriction on trading by insiders during the blackout period¹ and contra trade² restrictions to trades pursuant to a trading plan submitted by an insider.

(Source: SEBI circular no. No. SEBI/LAD-NRO/GN/2024/184 dated 25 June 2024)

1. Blackout period is the period between the twentieth trading day prior to the last day of any financial period for which results are required to be announced by the issuer of the securities and the second trading day after the disclosure of such financial results.

2. Contra trade means a buy cannot be executed if a sell trade has been executed in the last six months.





Removal of restrictions related to overseas investment rules for Indian investors

On 7 June 2024, the Reserve Bank of India (RBI) amended the Foreign Exchange Management (Overseas Investment) Directions, 2022 (the directions). The amendments aim to address the diversity in the regulatory framework that governs investment funds across various jurisdiction.

The amendments provide clarity with regard to the following key points pertaining to Overseas Portfolio Investments (OPIs).

I. Type of investment: Prior to the amendments, the directions permitted Indian investors to invest only in units issued by overseas funds. The amendment now

permits Indian investors to invest in units or any other instrument (by whatever name called) issued by an overseas investment fund.

II. Investment regulator: Prior to the amendment, the directions permitted investment in funds that were directly regulated by the financial sector regulator of the host country. The amendment has additionally permitted investment in funds whose activities are regulated by a financial sector regulator of the host country through a fund manager.

(Source: RBI circular no. RBI/2024-25/41 dated 7 June 2024)





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Mandatory usage of recycled material in the process of battery production

On 20 June 2024, the Ministry of Environment, Forest and Climate Change issued amendments to the Battery Waste Management Rules, 2022. To achieve greater sustainability across the industry, the amendment lays down a glide path for targets to be achieved for the minimum use of recycled materials in the process of battery production.

The glide path is issued for the years 2027-28 till 2030-31 and onwards across the following categories of batteries:

- Portable
- Electric vehicle
- Automotive
- Industrial

Following is the revised target and timelines:

S. No.	Type of battery	Minimum use of the recycled materials out of total dry weight of battery (in percentage) in respect of financial year			
		Year 2027-28	Year 2028-29	Year 2029-30	Year 2030-31
1.	Portable	5%	10%	15%	20%
2.	Electric vehicle	5%	10%	15%	20%
3.	Automotive	35%	35%	40%	40%
4.	Industrial	35%	35%	40%	40%

(Source: MOEFCC notification no. S.O. 2374 (E) dated 20 June 2024)



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