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Uniform approach towards market rumour verification

Regulation 30(11) of the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) requires listed entities to confirm, deny or clarify market rumours which are reported in the mainstream media. The rumour verification requirement is applicable to the top 100 listed entities with effect from 1 June 2024 and to top 250 listed entities with effect from 1 December 2024.

In order to facilitate a uniform approach for verification of market rumours by equity listed entities, on 17 May 2024, SEBI issued the LODR (Amendment) Regulations, 2024 (LODR Amendments) amending certain provisions related to market rumours.

Following are the key takeaways from the amendments:

- **Material price movement as the basis for rumour verification:** Currently, Regulation 30 of the Listing Regulations requires listed entities to verify the market rumours pertaining to 'material' events or information. The amendments provide that the market rumour should be verified by a listed entity if there is a material price movement in the securities of the listed entity.
- **Price protection upon confirmation of market rumour:** The amended regulation provides that unaffected price should be considered for

transactions on which pricing norms are specified by SEBI Regulations, provided that the rumour pertaining to such transaction has been confirmed within 24 hours from the trigger of material price movement.

Regulation 30(11) lists down the following SEBI Regulations and provisions, where pricing norms have been prescribed:

- Chapter V or Chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- Regulation 8 or Regulation 9 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- Regulation 19 or Regulation 22B of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018
- Any other pricing norms specified by SEBI or the stock exchanges.

Further, the regulation specified that the unaffected price should be considered by excluding the effect on the price of the equity shares of the listed entity due to the material price movement and confirmation of the rumour.



SEBI updates

- **Obligation on promoters, directors, Key Managerial Personnel (KMP) and senior management:** The amendment requires promoters, directors, KMP and senior management to provide timely response to the listed entity for verifying a market rumour.
- **Classification of unverified information:** On 17 May 2024, SEBI amended the definition of 'generally available information' under the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations). The amended definition specifically excludes unverified event or information reported in print or electronic media from the ambit of generally available information. Therefore, such information should be treated as Unpublished Price Sensitive Information (UPSI) and not 'generally available' information.

Consequent to the amendment in the Listing Regulations, on 21 May 2024, SEBI issued the following notifications to provide further guidance in this regard:

I. Industry Standards on verification of market rumour:

With an aim to facilitate a uniform approach and assist listed entities in complying with their obligations in respect of requirements relating to market rumour, certain industry associations¹ have formed the Industry Standards Forum (ISF). The ISF has formulated industry standards, in

consultation with SEBI, for effective implementation of the rumour verification requirement under the Listing Regulations. The Industry Standards Note (ISN) issued by ISF lays down standard operating procedures for

compliance with the rumour verification requirement to be followed by listed entities. The ISN is divided into three parts:

- **Part A – General aspects:** It contains, *inter alia*, definition of mainstream media and certain explanations related to market rumour.
- **Part B – Aspects related to Mergers & Acquisitions transactions (M&A):** It covers, *inter alia*, rumour verification standards for various stages of potential M&A transaction.
- **Part C – Aspects related to Non-Mergers & Acquisitions transactions:** It covers, *inter alia*, guiding principles on rumour verification in respect of non-M&A transaction scenario along with illustrations on the same.

II. Framework for material price movement: In order to ensure compliance with the criteria of material price movement for verification of market rumours, the NSE and

Other updates

the BSE along with SEBI, have formulated the framework to be complied by listed entities for rumour verification upon material price movement.

The framework lays down the parameters for material price movement, illustrations of variations that should be treated as material price movement in case of positive/negative rumour and the monitoring measures to be implemented by the stock exchanges.

III. Framework for considering unaffected price:

Considering the above-mentioned requirements relating to unaffected price, SEBI through its circular dated 21 May 2024, issued the detailed framework for determining unaffected price by listed entities. The framework provides illustrations for calculation of adjusted Volume Weighted Average Price (VWAP) and applicability of unaffected price.

(Source: SEBI notification SEBI/LAD-NRO/GN/2024/177 dated 17 May 2024, SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/51 and SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/52 dated 21 May 2024, NSE circular NSE/SURV/62122 dated 21 May 2024 and SEBI notification no. No. SEBI/LAD-NRO/GN/2024/181 dated 17 May 2024.)



1. The Industry Standards Forum (ISF) comprises of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the stock exchanges.

Key amendments in Listing Regulations

On 17 May 2024, SEBI issued certain amendments in the Listing Regulations relating to the below topics:

I. Market capitalisation criteria (Regulation 3):

In case of a listed entity, certain provisions become applicable based on the market capitalisation criteria. Currently, the market capitalisation is determined as on 31 March i.e. based on a single day's market capitalisation. SEBI has through the recent amendments introduced a revised criteria for calculating market capitalisation:

- **Average market capitalisation:** Market capitalisation-based requirement should be determined on the basis of average market capitalisation from 1 July to 31 December, instead of a single day's (i.e 31 March) market capitalisation. Stock exchanges on 31 December of every year would prepare the ranking of listed entities basis the average market capitalisation. This amendment would be applicable to listed entities from 1 April or from the beginning of the immediate next financial year, whichever is later.
- **BRSR:** With respect to reporting of Business Responsibility and Sustainability Reporting (BRSR) (or assurance under BRSR Core), a listed entity should put in

place systems and processes to capture the data to be reported within a period of three months from 31 December and thereafter a glide path of one year is provided for BRSR reporting (or assurance under BRSR Core) in the annual report.

- **Sunset clause:** A sunset clause of three years for cessation of applicability of market capitalisation-based provisions has been introduced.

The above-mentioned amendments are effective from 31 December 2024.

II. Gap between meetings of the Risk Management Committee (RMC) (Regulation 21):

The maximum permitted time gap between two consecutive meetings of the RMC has increased from 180 days to 210 days. This amendment is effective from 17 May 2024.

III. Timeline for applicability of Listing Regulations to High Value Debt Listed Entities (HVDLEs) (Regulation 15):

The timeline for mandatory applicability of certain provisions of the Listing Regulations² and compliance thereof, by HVDLEs has been extended till 31 March 2025 (earlier 31 March 2024). This amendment is effective from 17 May 2024.

IV. Vacancies of Key Managerial Personnel (KMP) (Regulation 26A):

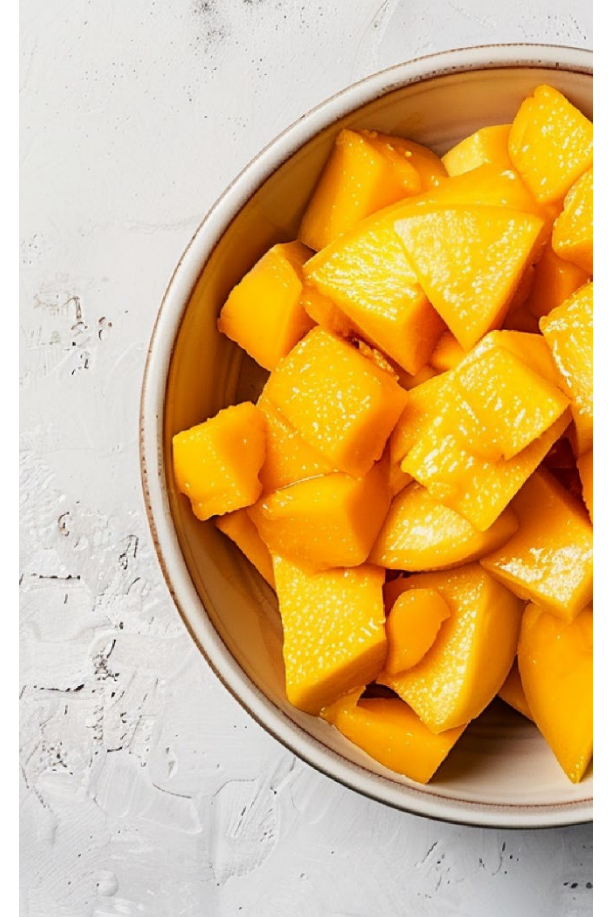
The timeline for filling up a vacancy in the office of a KMP wherein approval of statutory authorities is required, has been extended from three months to six months.

A KMP for the purpose of this regulation includes Chief Executive Officer, Managing Director, Whole Time Director or Manager and Chief Financial Officer. This amendment is effective from 17 May 2024.

V. Timeline for prior intimation of board meetings (Regulation 29):

The timeline for prior intimation of board meetings has been reduced to two working days (*as per previous requirement, timeline for giving prior intimation varies from two working days to a maximum of 11 working days*). The amendment further states that prior intimation is not required for determination of issue price for fund raising done through qualified institutional placement as per ICDR Regulations. Additionally, it has been notified that prior intimation would be required only for fund-raising proposals that involve issue of securities. This amendment is effective from 17 May 2024.

(Source: SEBI notification no SEBI/LAD-NRO/GN/2024/177 dated 17 May 2024)



2. Regulation 16 to 27 of Listing Regulations

Key amendments to SEBI ICDR Regulations

On 17 May 2024, SEBI issued the SEBI Issue of Capital and Disclosure Requirements (Amendment) Regulations, 2024 (ICDR Amendments) to amend the SEBI ICDR Regulations, 2018.

The key ICDR amendments pertain to the following:

I. Non-individual shareholders permitted to contribute towards Minimum Promoters' Contribution (MPC) (Regulation 14): Currently for determination of MPC, promoters of a company should hold at least 20 per cent of the post-offer paid-up equity share capital on a fully diluted basis. In case of any shortfall, certain class of investors³ are permitted to contribute equity shares to meet the shortfall subject to a maximum of 10 per cent, without being identified as a promoter.

The SEBI amendment now permits any non-individual shareholders holding at least five per cent of the post-offer equity share capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s) to contribute towards MPC without being identified as a promoter.

II. Compulsorily convertible securities included for computation of MPC (Regulation 15(1)(b)): The amendment provides that equity shares arising from the conversion of fully paid-up compulsorily convertible securities held for at least one year

before filing the Draft Red Herring Prospectus (DRHP) are included for determination of MPC. It also provides that the compulsorily convertible securities should be converted into equity shares prior to the filing of the Red Herring Prospectus (RHP).

III. Extension of the bid/offer closing date (Regulation 46(3)): As per existing provisions, in case of force majeure events, issuer companies could extend the bidding period disclosed in the offer document by a minimum period of three working days. The amendment has reduced the minimum period for extension to one working day in case of any force majeure events.

IV. Fresh filing for Offer For Sale (OFS): With respect to an increase or decrease in OFS, the requirement of fresh filing should be based on one of the criteria i.e., either issue size in INR or the number of shares, as disclosed in the draft offer document and not on both the criteria as prescribed by existing regulations (before the amendment).

The above-mentioned ICDR amendments are effective from 17 May 2024.

(Source: SEBI notification no SEBI/LAD-NRO/GN/2024/178 dated 17 May 2024)



3. Alternative investment funds, foreign venture capital investors, scheduled commercial banks, public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India (IRDAI) are permitted.

Proposed changes to the BRSR framework

Regulation 34(f) of the Listing Regulations requires top 1,000 listed entities from Financial Year (FY) 2022-23 onwards to provide ESG related disclosures as a part of their annual report. Further, in June 2023, SEBI introduced the assurance and disclosure requirement of BRSR Core for listed entities including its value chain in a phased manner beginning with top 150 listed entities from financial year 2023-24.

Considering the feedback from the stakeholders, SEBI in 2023 formed an expert committee to review the provisions of the Listing Regulations and ICDR Regulations, to facilitate ease of doing business. The expert committee, *inter alia*, deliberated on the regulatory framework of BRSR as a part of reviewing the Listing Regulations provisions.

Based on the recommendations of the committee, on 22 May 2024, SEBI issued a consultation paper to propose changes to provisions relating to requirements of BRSR and BRSR Core under Listing Regulations.

The key proposals issued are as follows:

I. Substitution of the term 'assurance' with 'assessment'

With an aim to provide flexibility to listed entities, SEBI has proposed to substitute the term 'assurance' with 'assessment' in the Listing Regulations and SEBI circulars on BRSR. The applicability of this proposal is as follows:

- **Financial year 2023-24:** Listed entities can choose to either undertake an 'assessment' or 'reasonable assurance' of BRSR Core disclosures.
- **Financial year 2024-25:** Assurance requirement will be replaced with assessment of BRSR Core.

II. Coverage of significant value chain partners

The existing BRSR framework requires a listed entity to report the parameters as per BRSR Core for its value chain to the extent it is attributable to their business with that value chain partner. The ESG disclosures for the value chain is applicable to the top 250 listed entities (by market

capitalisation), on a comply-or-explain basis from FY 2024-25. Further limited assurance requirements are applicable on a comply or-explain basis from FY 2025-26.

SEBI has proposed the following changes to the framework with respect to value chain reporting:

- Value chain should include upstream and downstream partners of a listed entity that individually account for 2 per cent or more of the listed entity's purchases or sales by value.
- As an additional alternative, SEBI has also proposed a cumulative threshold of 75 per cent of the listed entity's purchases or sales by value, in addition to the individual 2 per cent threshold for defining value chain partners.
- Listed entities would be required to disclose the percentage of total sales and purchases covered by the value chain partners for which ESG disclosures are provided.
- For the first year of reporting ESG disclosures for value chain, i.e. FY 2024-25, reporting previous year numbers should be voluntary. Additionally, voluntary assurance requirements instead of 'comply or explain' basis has been proposed in the consultation paper.

III. Integration of green credit in BRSR

In October 2023, the Ministry of Environment, Forest and Climate Change (MoEFCC) introduced a green credit program through Green Credit Rules, 2023, which includes eight activities for environmental preservation and protection. Subsequently, on 22 February 2024, the MoEFCC notified the methodology for calculation of green credit in respect of tree plantation under the green credit program.

Considering the requirements, SEBI has proposed to include disclosure of green credits under leadership indicator of BRSR. The disclosure should provide details of the green credits generated by the company and by its value chain partners.

(Source: SEBI issued consultation paper on the recommendations of the expert committee for facilitating ease of doing business with respect to Business Responsibility and Sustainability Report (BRSR) dated 22 May 2024)



Extension of timelines for disclosures of Social Enterprise (SE) on Social Stock Exchange (SSE)

In September 2022, SEBI had issued a detailed framework prescribing the minimum requirements for an entity to be registered as a SE on the SSE. Some of the key considerations of the framework are listed below:

- Minimum requirements for registration of a Not for Profit Organisation (NPO) with the SSE
- Minimum initial disclosure requirements for Zero Coupon Zero Principal (ZCZP) instruments
- Timeline and details of annual disclosures by a Non-Profit Organisation (NPO)
- Requirement and timeline of an Annual Impact Report (AIR)
- Timeline to submit a statement of utilization of funds.

SEBI, through a circular dated 27 May 2024, revised the disclosure timelines laid down in the framework under point (c) and (d) above:

Annual disclosures by an NPO: An NPO registered on the SSE is required to provide annual disclosures to the SSE on matters specified by SEBI by 31 October 2024 for FY 2023-24 (*earlier 60 days from the end of the financial year*).

Annual impact report: The Listing Regulations require a SE, which is registered with or has raised funds through an SSE, to submit an AIR to the SSE in the format specified by SEBI. The revised timeline for submission is 31 October 2024 for FY 2023-24 (*earlier 90 days from the end of the financial year*).

(Source: SEBI circular no. SEBI/HO/CFD/PoD-1/P/CIR/2024/0059 dated 27 May 2024)





Guidelines for audio visual presentation of disclosures made in public issue offer documents

On 24 May 2024, SEBI issued a circular to introduce Audio-Visual (AV) representation of disclosures in their offer documents for public issues. Some of the key considerations of the prescribed AV format are listed below:

- The AV should be prepared and placed in the public domain for all main board public issues.
- The content of the AV should comply with the specified provisions⁴ of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).
- It should be in bilingual format (English and Hindi) with the duration of each bilingual version of the AV being approximately 10 minutes. The duration of the AV should be equitably distributed to cover material disclosures⁵ made under various sections of the Draft Red Herring Prospectus (DRHP) and Red Herring Prospects (RHP).
- The content of the AV should be factual, non-repetitive, non-promotional and should not mislead in any manner.

- The AV is required to be uploaded on the website of the issuer and the Association of Investment Bankers of India (AIBI) within 5 working days of filing of DRHP with SEBI. Further it should be made available on the digital/social media platforms of the issuer and AIBI.
- The issuer and all the lead managers are responsible for the content and information made available in the AV.

Applicability - The provisions of this circular would be applicable to all DRHP filed with SEBI in the following manner:

- On a voluntary basis on or after 1 July 2024
- On a mandatory basis from 1 October 2024.

(Source: SEBI circular no. SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/55 dated 24 May 2024)



4. Provisions regarding 'Public communications and publicity materials' prescribed under Schedule IX of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

5. Material disclosures include disclosures about the company, risk factors, capital structure, objects of the offer, business of the issuer, promoters, management, summary of financial information, litigations, material developments and terms of the offer etc.



Non-compliances by audit firms highlighted by QRB

The Quality Review Board (QRB) conducts quality reviews of audit services provided by audit firms to assess the quality of audit and reporting by the statutory auditors and the quality control framework adopted by the audit firms in conducting an audit.

In this regard, on 9 May 2024, the Institute of Chartered Accountants of India (ICAI) has issued a guidance on non-compliances observed by QRB during such quality reviews. The publication is divided into two parts:

- **Part 1:** Contains the observations related to Engagement and Quality Control Standards (*classified standard wise*)
- **Part 2:** Contains the observations related to CARO and internal financial controls (*classified topic wise*).

(Source: ICAI announcement dated 9 May 2024)





Reduced disclosures for subsidiaries under IFRS Accounting Standards

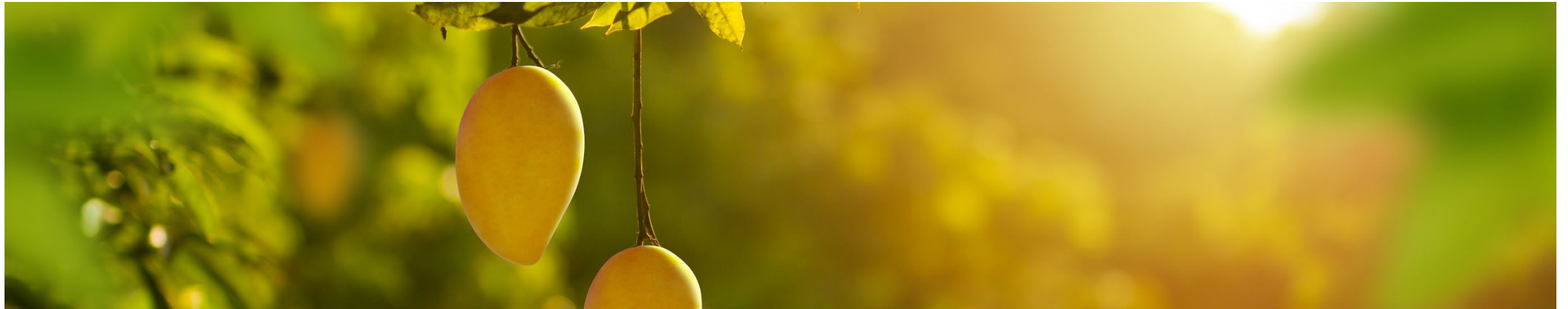
Currently, when a parent company prepares consolidated financial statements that comply with IFRS Accounting Standards, its subsidiaries are required to report to the parent using IFRS Accounting Standards. Subsidiaries using the IFRS for SMEs Accounting Standard or national accounting standards for their own financial statements often keep two sets of accounting records because the requirements in these Standards differ from those in IFRS Accounting Standards.

On 9 May 2024, the International Accounting Standard Board (IASB) issued a new standard - IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. It specifies that an entity is permitted to apply the recognition and measurement principles of other IFRS standards and the disclosure requirements under IFRS 19 instead of the disclosure requirements in other IFRS Accounting Standards.

Some of the key points to be noted are as follows:

- **Eligibility:** Subsidiaries are eligible to apply IFRS 19 if they do not have public accountability and their parent company applies IFRS Accounting Standards in their consolidated financial statements.
- **Objective:** The standard aims to:
 - Enable subsidiaries to maintain one set of accounting records in order to meet the needs of the parent company and the users of financial statements.
 - Reduced disclosure requirements for subsidiaries.
- **Applicability:** IFRS 19 is effective for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

(Source: IASB announcement dated 9 May 2024)





Website: bsr-co.in

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BSR & Co LLP-14 Floor, Central B Wing & North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Mumbai-400063

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