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# **AN ANALYSIS OF THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

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## **Abstract**

This research paper titled “An Analysis of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015” deals with some of the major listing obligations that a listed company or a company that wants to list itself on any of the stock exchanges has to fulfill. The paper primarily focuses on the rationale behind these requirements, and it thoroughly explains their practical relevance. Additionally, the paper discusses some of the recent amendments made to enhance investor-friendliness in the market.

## **Introduction**

Listing of securities means the admission of securities of a company to trading on a recognized stock exchange. The securities may be of any public limited company, Central or State Government, quasi governmental and other financial institutions/corporations, municipalities, etc. “Section 2(p) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 defines “listed entity” as an entity which has listed, on a recognized stock exchange(s), the designated securities issued by it or designated securities issued under schemes managed by it, in accordance with the listing agreement entered into between the entity and the recognized stock exchange(s)”.

In accordance with Section 24 of the Companies Act of 2013, any company that has securities listed on a recognized stock exchange or intends to do so will be subject to SEBI regulations

regarding the issuance, transfer, and nonpayment of dividends. According to Section 21 of the Securities Contracts (Regulation) Act of 1956, any person who applies to have securities listed on a recognized stock exchange must abide by the terms of the listing agreement with that stock exchange.

By section 11, section 11A (2) and section 30 of the Securities and Exchange Board of India Act, 1992 read with section 31 of the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India makes regulations for listing obligations and disclosure requirements.

By sending circulars, recommendations, instructions, and notifications to the listed firms and stock exchanges, SEBI enforces compliance to the LODR. As part of its oversight over the listed entities' disclosures and filings, SEBI also takes necessary action in the event of any infractions or noncompliance. Among the steps that SEBI may take are: Imposing fines, penalties, or the return of illegal gains. the suspension or revocation of a security's listing or trade, preventing or restricting access to the securities market for the directors, promoters, or key executive staff, starting the investigation or legal action by sending the case to further regulatory or enforcement authorities.

If the government makes a case for the disinvestment in listed businesses, SEBI has the authority to soften the tight implementation of the LODR regulations. Any company which wants to list its securities on a stock exchange must first achieve certain requirements and comply with certain steps. The minimum issued capital, the minimum public shareholding, the track record of profitability or net worth, and compliance with corporate governance standards are some of the requirements. The process entails submitting an application to the stock market, paying listing fees, providing the necessary documentation, and getting listing permission.

### **Benefits of Listing**

So, now one may ask that what is the benefit of listing if the company has to do so much? The answer is simple, it can access a larger pool of investors and raise money in the market. Once it gets listed, it can borrow money on the basis of its shares. It provides present shareholders

with a chance to sell their shares or diversify their holdings. This increases the marketability and liquidity of the securities. It guarantees openness and disclosure of corporate data. The benefit for investors is that it makes their holdings more liquid. They are able to sell the securities whenever they wish as per the price prevailing in market. Investors can keep track of price fluctuations in the securities they own or hold by following the stock market. Investors benefit from the greatest possible protection for their holdings because the Exchange's rules and regulations were developed with this goal in mind. Listing gives added value to securities held by investors, as banks have loans and advances when they take listed securities.

## **Requirement of a Compliance Officer**

The listed entity is responsible for ensuring compliance with any duties or obligations, if any, given to key managerial people, directors, promoters, or anyone else working with the listed organization under these laws. The compliance officer must be chosen by a listed firm from among the competent company secretaries. The listed entity's compliance officer is accountable for:

- (a) ensuring that the regulatory provisions that apply to the listed entity are followed in letter and spirit;

This requirement makes sure that the compliance part is done by a competent officer which will benefit not only the company in the long run but will be in the interest of all the stakeholders such as the creditors, shareholders, etc.

- (b) coordinating with and informing the Board, the recognized stock exchange(s), and the depositories about compliance with rules, regulations, and other instructions from these authorities;

The compliance officer is responsible for making the company comply with all the requirements and in doing so, it acts like a bridge between different entities.

- (c) ensure that correct procedures are followed to ensure the accuracy, reliability and completeness of information, declarations and reports submitted by listed companies pursuant to these regulations.

## **Listed Companies to Have a Share Transfer Agent**

The listed entity must appoint a share transfer agent or manage the facility in-house, maintaining all activities related to the facility. A compliance certificate must be submitted to the exchange, signed by both the entity's compliance officer and the agent's representative. If a new agent is appointed, a tripartite agreement must be entered into, informing stock exchanges within seven days. The agreement must be placed in the board's meeting.

To keep track of who owns their stocks and bonds and how they are held, as well as to handle transactions like transfers, dividends, and corporate actions, listed firms are required to employ a share transfer agent. A share transfer agent assists the business in communicating with its shareholders and offering them a range of services. A share transfer agent can be either an internal division of the firm or an external institution like a bank or trust company. Share transfer agents are subject to regulations set forth by the “Securities and Exchange Board of India (SEBI)”, which also establishes their eligibility standards, registration procedures, codes of conduct, and compliance obligations.

Some advantages of having a share transfer agent includes lowering the administrative burden on the business and ensuring accuracy and effectiveness in record keeping and transaction processing as the company or its officers cannot do each and everything themselves. By offering prompt and competent services, such as issuing certificates, updating the contact information of the shareholders, and resolving issues, it increases investor confidence and satisfaction. Along with safeguarding shareholder interests, it makes it easier for the business to comply with its legal and regulatory duties.

## **Co-Operation With Intermediaries Registered with The Board**

To make sure that listed firms promptly and accurately disclose information to stock exchanges and the general public is one of SEBI LODR's goals. For this reason, SEBI LODR mandates that listed entities work in tandem with intermediaries including credit rating companies, debenture trustees, bankers to an issue, registrars to an issue, share transfer agents, etc. Cooperation with intermediaries enables listed businesses to adhere to

SEBI LODR's disclosure and listing responsibilities. For instance, a listed corporation issuing non-convertible securities is required to appoint a credit rating agency to rate its securities and a debenture trustee to safeguard the interests of such securities' holders.

## **Obligations Of a Listed Entity Which Has Listed Its Specified Securities and Non-Convertible Debt Securities**

- Every listed company must have an independent “audit committee” that is both qualified and competent. There must be a minimum of three directors on the audit committee. The audit committee must have at least two-thirds independent directors. The audit committee has the authority to look into any action that falls under its purview, to ask any employee for information, to seek outside legal or other professional advice, and, if required, to secure the attendance of outsiders with pertinent experience. The audit committee will meet at least four times per year, with no more than 120 days elapsing between meetings. The major goals of having an audit committee are to preserve the interests of shareholders and other stakeholders, to maintain the integrity and transparency of the financial information, and to strengthen the credibility and dependability of the audit process. The management, statutory auditors, and board of directors are all connected by the audit committee.
- In order to specifically consider various aspects of interest of shareholders, debenture holders, and other security holders, the listed firm shall establish a “Stakeholders Relationship Committee”. This committee's chairperson must be a non-executive director. The Stakeholders Relationship Committee must have at least three directors, with at least one of them being an independent director. If a listed entity has outstanding SR equity shares, at least two-thirds of the Stakeholders Relationship Committee must be made up of independent directors. At the annual general meetings, the chair of the stakeholder relations committee must be present to respond to questions from security holders. At least once a year, the stakeholders relationship committee must meet. The committee’s duties include resolving

security holders' grievances, reviewing shareholder voting rights, ensuring adherence to service standards, reducing unclaimed dividends, and ensuring timely receipt of dividend warrants and annual reports. They also oversee shareholder engagement and communication plans, ensuring their views and concerns are highlighted to the board and addressed promptly.

- The “Risk Management Committee”, a component of the board of directors, must have at least three members, including at least one independent director. At least two-thirds of the committee must be independent directors if a listed firm has outstanding SR equity shares. Senior executives may also serve on the committee, although only the chairperson must be a board member. Meetings must be held at least twice a year, with a quorum of two or one-third of the committee members present, including the board member. The board, which may delegate monitoring and evaluating of the risk management strategy, specifically addressing cyber security, defines the committee's function and responsibilities. High-value debt listed entities as well as the top 1000 listed entities are subject to the requirements. The risk management committee's duties and responsibilities include developing a thorough risk management policy that includes a framework for identifying the internal and external risks that the listed entity is exposed to, reviewing and assessing the appropriateness and effectiveness of the risk management policy and processes, monitoring and supervising the implementation of the risk management policy and plan, and reporting on the status of risk to the board of directors.
- The listed entity must develop a “whistleblower policy and vigil mechanism” to encourage directors and employees to raise legitimate concerns. The vigil system must offer sufficient protections against victimization of any directors, employees, or other users of the mechanism, as well as direct access to the audit committee chairperson in necessary or extraordinary circumstances. The main goals of having a vigil mechanism are to encourage accountability and transparency in the way the listed entity operates, to safeguard the interests of shareholders, creditors, and other stakeholders, to prevent and deter fraud, corruption, and other wrongdoing in the listed entity, and to empower directors and employees to voice legitimate concerns

and grievances without fear of retaliation or victimization. The listed entity's audit committee is responsible for monitoring the vigil mechanism and will periodically assess its performance.

- A policy on dealing with “related party transactions”, including clear threshold limits duly approved by the board of directors, must be developed by the listed entity. This policy must be reviewed by the board of directors at least once every three years and updated as necessary. A related party transaction (RPT) policy is a written document that specifies the guidelines and tactics to be used when handling transactions between a listed firm and its related parties. The main purposes of a related party transaction policy are to: ensure that RPTs are conducted fairly, transparently, and in the best interests of the listed entity and its shareholders; prevent conflicts of interest or the undue influence of any related parties on the listed entity's decision-making; ensure compliance with applicable laws and regulations; avoid any regulatory action or penalty; and provide a mechanism for dispute resolution.
- Prior to issuing securities, the listed firm must receive “in-principal approval” from a recognized stock exchange(s). Where securities are only listed on recognized stock exchange(s) with nationwide trading terminals, from all such stock exchange(s). Where the securities are not listed on any recognized stock exchange with national trading terminals, from all stock exchange(s) where the issuer's securities are intended to be listed. Where securities are listed on recognized stock exchange(s) with nationwide trading terminals as well as recognized stock exchange(s) without nationwide trading terminals, from all recognized stock exchange(s) with nationwide trading terminals. The 'in principle approval' assures that the issuer meets the eligibility criteria and disclosure standards for offering securities, and that no stock exchanges object to the planned issue.
- The listed firm must notify the stock exchange of a board meeting at which proposals for financial results, stock buybacks, voluntary delisting, capital raising, dividend declarations, convertible securities, and bonus securities are due. Annual general meetings, special general meetings, and postal ballots for shareholder approval

should all be announced. Any intended issuance methods, such as convertible debentures or debentures with equity share subscription rights, or the declaration of bonus securities, must also be reported to the stock exchange.

## **Obligations Of Listed Entity Which Has Listed Its Non-Convertible Securities**

- The listed entity must promptly inform the stock exchange(s) of any information affecting its performance, price-sensitive information, or actions affecting interest or dividend redemption of non-convertible securities. The disclosure should be made within 24 hours of the event or receipt, and if made after 24 hours, the entity must provide an explanation. The listed entity having non-convertible securities shall also make disclosures as specified in Part B of Schedule III. All disclosures must be hosted on the listed entity's website for a minimum of five years, and thereafter as per the entity's archival policy.
- According to the terms of the offer document, information memo, and/or debenture trust deed, the listed entity must maintain 100% "security cover" or higher security cover for its secured listed non-convertible debt securities, which is sufficient to pay off the principal amount and interest on the non-convertible debt securities issued at all times. The listed firm must inform the stock exchange of the extent and kind of security created and maintained with regard to its secured listed non-convertible debt securities in quarterly, half-yearly, year-to-date, and annual financial statements, as appropriate. Along with its financial results, the listed firm must report the security protection provided in the event of non-convertible debt securities in the manner prescribed by the Board.
- A credit rating agency registered by the Board shall examine each rating received by the listed entity with respect to non-convertible securities at least once per year.
- The listed entity must provide the debenture trustee with the following documents: an annual report, auditor's certificate, notices, resolutions, circulars, intimations regarding new issue of non-convertible debt securities, meetings of holders,

revisions in ratings, defaults in interest or redemption, failure to create charge on assets, covenants of the issue, and a half-yearly certificate regarding maintenance of 100% security cover or higher security cover as per the terms of offer document/ Information Memorandum and/or Debenture Trust Deed, along with financial results specified by the Board. The listed entity must also disclose all material events and information related to interest, principal, issue and terms of non-convertible debt securities, rating, creation of charge on the assets, notices, resolutions, and meetings of holders of non-convertible debt securities to the debenture trustee. The listed entity must also forward any information sought and provide access to relevant books of accounts as required by the debenture trustee. The listed entity may send the information stipulated in electronic form/fax, subject to the debenture trustee's consent.

- Within one working day of the due date, the listed firm must provide a certificate to the stock exchange detailing the status of interest, dividend, repayment, or redemption of the principle of non-convertible instruments.
- The listed entity shall deliver physical copies of the statement containing key information and hard copies of the annual reports to anybody who requests them, as well as full annual reports to non-convertible security holders who have provided their email addresses. Additionally, the company must notify holders of non-convertible debt securities and non-convertible redeemable preference shares of upcoming meetings, mentioning that Section 105 of the Companies Act, 2013's proxy appointment procedures apply. Additionally, the corporation must submit proxy forms for holders to vote for or against each resolution.
- The listed entity is required to not forfeit unclaimed interest/dividend/redemption amounts. If the amount is not claimed within thirty days of the due date, the entity must transfer it to an escrow account within seven days. Unclaimed amounts for less than seven years will remain in the account for up to seven years. Any unclaimed amount for seven years will be transferred to the "Investor Education and Protection Fund". For listed entities not classified as companies, any unclaimed amount will be transferred to the "Investor Protection and Education Fund."

## Major Recent Amendments

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Some of the key amendments are:

- Regulation 25(2A) now includes a proviso stating that shareholders must approve the appointment, reappointment, or removal of an independent director of a listed firm through a special resolution. Regulation 25(2A) of SEBI LODR outlines the process for appointing, re-appointing, or removing an independent director (ID) of a listed entity. It requires shareholder approval through a special resolution, but an alternative mechanism allows a simple majority of shareholders to appoint or remove an ID, subject to certain conditions. These conditions include votes cast in favor of the resolution exceeding those cast against it, votes cast by public shareholders in favor of the resolution exceeding those cast against it, and the ID must be removed if the votes cast meet these criteria. The intent of this regulation was to enhance the independence and role of IDs in listed entities and to provide a safeguard for minority shareholders.
- The "SEBI (LODR) (Second Amendment) Regulations, 2021"  
Regulation 4(2)(d)(iv) requires the listed entity to create a whistleblower policy that effectively enables stakeholders to voice their concerns about illegal or unethical practices.  
Regulation 7(3)- Compliance Certificate attesting to the upkeep of the physical and electronic transfer facility: Within one month after the fiscal year's conclusion, the aforementioned certificate must be lodged with the exchange. Earlier, the same had to be completed within 30 days of each half-year's conclusion.
- In 2023, the "Grievance Redressal Mechanism" was revised. Investor complaints must be resolved by the listed entity as soon as possible, but no later than 21 calendar days after the complaint has been received, and in any other way the Board may specify. An

earlier clause obliged the listed firm to take appropriate action for a prompt resolution of investor grievances. There wasn't a deadline.

- “Zero Coupon Zero Principal Instruments” added within the ambit of “designated securities” under regulation 2(h) in 2023.
- To deal with spreading of rumors and to facilitate easy transfer of information , the concept of “mainstream media” has been added under Regulation 2(ra) in 2023 and now as per regulation 30(11) the top 100 listed companies, followed by the top 250, are required to respond as soon as reasonably possible and no later than twenty-four hours after the event or information is reported in the mainstream media to confirm, deny, or clarify any reported event or information that is not of a general nature and that suggests that rumors of an impending specific material event or information under the terms of this regulation are circulating among the investing public.
- Scope of “related party” under Regulation 2 (zb) has been widened by 2021 amendment.
- Any vacancy in the office of the Compliance Officer must be filled by the listed company as soon as possible, but in no event later than three months from the date of such vacancy, according to the updated regulation 6 as per the 2023 amendment. However, unless the appointment is made in accordance with the laws applicable in the event of a new appointment to such office and the obligations under such laws are made applicable to such person, the listed company shall not fill such vacancy by appointing a person in an interim capacity. This modification highlights the significance of having a designated compliance professional who assures compliance with legal obligations and supports ethical corporate behavior.
- A new clause, 17(1D), that lays the path for the elimination of permanent board seats is introduced by the modified Regulation 17. Starting on April 1, 2024, the shareholders of a listed corporation must approve the continuance of a director's service on the board of directors at least once every five years. This amendment encourages board responsibility, openness, and a cyclical assessment of director performance.

There are numerous other amendments which have been added since the inception of SEBI LODR, 2015 regulations.

## **Conclusion**

Significant improvements in compliance and reporting obligations for listed businesses are brought about by the LODR amendments. Improving investor trust and establishing stronger corporate governance procedures are the goals of the tougher disclosure deadlines, improved governance standards, and increased transparency. Listed entities must assess their current procedures and practices to make sure they are in conformity with the new regulations. They must establish reliable processes for the prompt and correct disclosure of significant events and information, and they must select a Compliance Officer within the allotted time limit. Along with improving board review procedures, businesses should concentrate on getting periodic shareholder support for director reappointments. Listed entities can strengthen their stakeholder communication, their governance frameworks, and their ability to inspire confidence and credibility among investors and shareholders by complying with the LODR revisions. As the economy will grow, more changes will be needed to protect the interest of several stakeholders and to make the corporate governance more transparent and smoother.