



## Regulatory Alert Tracking change

### SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

**Issue no: RA/16/2015**

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# Background

SEBI had, in November 2014, taken the decision to consolidate and streamline provisions of existing listing agreements in respect of various types of listed securities for ensuring better enforceability. Accordingly, a draft of proposed Regulations was made available for public comments. SEBI has, on 2 September 2015, notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ["Regulations"]. SEBI has considered suggestions received from market participants and also aligned the provisions of the Regulations with the Companies Act, 2013 ('the Act') in many cases.

The provisions of Regulations will come into effect as under:

- a) With immediate effect i.e. 2 September 2015-
  - a. Related Party Transactions – for obtaining shareholders' approval for material related party transactions
  - b. Specified information disclosure regarding public and promoter shareholding
- b) From 90<sup>th</sup> day of the date from 2 September 2015. – All other provisions of the Regulations

## Highlights of the Regulation

### Key Highlights

- The Regulations consolidate and streamline provisions of existing listing agreements for different securities and different segments of the capital market viz.
  - Equity (including convertibles) issued by entities listed on the Main Board of the Stock Exchanges, Small and Medium Enterprises listed on SME Exchange and Institutional Trading Platform
  - Non- Convertible Debt Securities
  - Non-Convertible Redeemable Preference Shares
  - Indian Depository Receipts

- Securitized Debt Instruments and
- Units issued by Mutual Fund Schemes.
- **Guiding Principles:** The Regulations provide broad principles (in line with IOSCO Principles) for periodic disclosures by listed entities and also have incorporated the principles for corporate governance (in line with OECD principles). In the event of any ambiguity between the principles and relevant regulations, the principles specified shall prevail.
- **Listing obligations of listed entities:** Obligations which are common to all listed entities have been enumerated which include general obligation of compliance by listed entity, appointment of common compliance officer, filings on electronic platform, mandatory registration on SCORES, etc. and obligations which are applicable to specific types of securities which are mentioned in separate chapters
- **Obligations of stock exchanges and provisions in case of default:** Stock Exchanges have been given responsibility to monitor compliance or adequacy / accuracy of compliance with provisions of the Regulations and to take action for non-compliance.
- **Ease of Reference:** The related provisions have been aligned and provided at a common place for ease of reference.
- **Streamlining and segregation of initial issuance/listing obligations:** In order to ensure that there is no overlapping or confusion on the applicability of the Regulations, pre-listing requirements have been incorporated in respective regulations viz. ICDR Regulations, ILDS Regulations, etc. Post-listing requirements have been incorporated in the Regulations.
- **Alignment with provisions of Companies Act, 2013:** Wherever necessary, the provisions in the Regulations have been aligned with the Act.
- **Listing Agreement:** A shortened version of the Listing Agreement (2 page approximately) will be prescribed. Existing listed entities will be required to sign the shortened version within six months of the notification of the Regulations.

#### **Immediate effect:**

- **Related Party Transaction:** Approval of shareholders for material related party transactions is now to be obtained by ordinary resolution. However, embargo on voting by

all related parties on such resolution still continues.

- **Reclassification of promoter shareholder as public and vice versa:** Reclassification of promoter shareholder to public shareholder will be permitted if the specified securities are listed on stock exchanges having nationwide trading terminals. This is subject to following conditions:
  - Request for reclassification to be provided to stock exchanges by the listed entity or the concerned shareholder
  - Where securities are listed on more than 1 exchange, the decision on the application will be taken by all stock exchanges jointly
  - In case of transmission / succession / inheritance, the inheritor shall be classified as promoter.
  - When a new promoter replace a promoter (Outgoing promoter) due to an open offer or in any other manner, reclassification will require approval of shareholders in a general meeting and compliance with following additional conditions:
    - Outgoing promoter and promoter group along with PAC do not hold more than 10% of paid-up equity share capital
    - Outgoing promoter does not enjoy special rights
    - Outgoing promoter and his relatives shall not act as KMP for more than 3 years from the date of shareholders' approval
  - When an entity becomes professionally managed and does not have any identifiable promoter, existing promoter may be classified as public shareholders subject to following:
    - Approval of shareholders in a general meeting
    - No person or group along with PAC shall hold more than 1% of share capital including any convertible securities / warrants or depository receipts (mutual fund, bank, insurance company, financial institution, FPI may individually hold upto 10%)
    - Promoter or his relative may act as KMP upto 3 years subject to approval of shareholders

- Promoter, promoter group and PAC shall not have any special rights
- Such promoter should not directly or indirectly exercise control over affairs of the entity
- Increase in public shareholding shall not be through re-classification of promoter as public
- Any reclassification of public shareholder as promoter permitted only through making an open offer under SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011

### Consequential amendments

- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Mutual Funds) Regulations, 1996, SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 and SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008 have also been amended to provide for consequential changes pursuant to the Regulations.

## Conclusion

The Regulations would change the landscape of capital markets and listing compliances by companies having multiple classes / types of securities listed on stock exchanges. This is a step towards uniform compliance requirements for listed companies and is expected to ease doing business in India.

**Source:** SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 dated 2 September 2015 and SEBI Press Release No. 226/2015 dated 3 September 2015

# Upcoming Dbriefs - Register

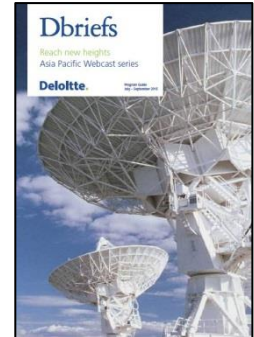
## Transfer Pricing Developments in India: Range, Multiple Year Data, Advance Pricing Agreements, and Audits

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**On 10 September 2015 from 11:30 AM to 12:30 PM IST**

Recent transfer pricing developments in India include proposals from the Government to reduce the extent of audits and litigation. The range and multiple year data concept will soon be incorporated into law.

Furthermore, some high profile judgments are ensuring that the path to transfer pricing certainty slowly becomes clear in India. What does this mean for your Indian operations? Find out how companies impacted by Indian transfer pricing can navigate the regime with these updates. For more information, visit the [Dbriefs](#) page.



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# Contacts

## Ahmedabad

Heritage, 3rd Floor,  
Near Gujarat Vidyapith,  
Off Ashram Road,  
Ahmedabad – 380 014.  
Tel: + 91 (079) 2758 2542  
Fax: + 91 (079) 2758 2551

## Coimbatore

Shanmugha Manram  
41, Race Course,  
Coimbatore  
Tamil Nadu - 641018  
Tel: + 91 (0422) 439 2801  
Fax: +91 (0422) 222 3615

## Kolkata

Bengal Intelligent Park Building Alpha,  
1st floor, Block EP and GP Sector V,  
Salt Lake Electronics Complex,  
Kolkata - 700 091.  
Tel : + 91 (033) 6612 1000  
Fax : + 91 (033) 6612 1001

## Bangalore

Deloitte Centre, Anchorage II,  
100/2, Richmond Road,  
Bangalore 560 025.  
Tel: +91 (080) 6627 6000  
Fax: +91 (080) 6627 6010

## Delhi/Gurgaon

Building 10,  
Tower B, 7th Floor,  
DLF Cyber City,  
Gurgaon 122 002  
Tel : +91 (0124) 679 2000  
Fax : + 91 (0124) 679 2012

## Mumbai

Indiabulls Finance Centre,  
Tower 3, 28th Floor,  
Elphinstone Mill Compound,  
Senapati Bapat Marg, Elphinstone (W),  
Mumbai – 400013  
Tel: + 91 (022) 6185 4000  
Fax: + 91 (022) 6185 4101

## Chennai

No.52, Venkatanarayana Road,  
7th Floor, ASV N Ramana Tower,  
T-Nagar,  
Chennai 600 017.  
Tel: +91 (044) 6688 5000  
Fax: +91 (044) 6688 5050

## Hyderabad

1-8-384 and 385, 3rd Floor,  
Gowra Grand S.P.Road,  
Begumpet,  
Secunderabad – 500 003.  
Tel: +91 (040) 6603 2600  
Fax: +91 (040) 6603 2714

## Pune

106, B-Wing, 7<sup>th</sup> Floor,  
ICC Trade Tower,  
Senapati Bapat Road,  
Pune – 411 016.  
Tel: + 91 (020) 6624 4600  
Fax: +91 (020) 6624 4605

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