

Highlights of Industry Standards on Regulation 30 of SEBI LODR

The Industry Standards Forum comprising of ASSOCHAM, FICCI and CII have released Industry Standards on Regulation 30 of SEBI LODR in consultation with SEBI. The Standard provides standard operating procedures for compliance with the continuous disclosure requirements under the LODR. It covers aspects such as applicability of numerical thresholds, interpretation of certain terms, timelines for disclosures etc. Highlights of the Standards are as follows:

1. Compliance of timelines for disclosure under Regulation 30(6)

Listed entities should implement prompt internal reporting systems in order to adhere to the timelines for making disclosure as required under the Regulation. The timeline would begin once an officer(as defined under the CA 2013) of the listed entity has become aware of the occurrence of an event / information, through credible and verifiable channels of communication.

The following shall be treated as a defence for non-compliance with the timelines prescribed if there is any reasonable delay on account of :

- (i) a force majeure event,
- (ii) time taken for completion of prima facie assessment of materiality for certain events (such as orders, fraud, winding-up petitions, action initiated, claims made against listed entity, etc.), or
- (iii) information / event relating to subsidiary, director, key managerial personnel, senior management or promoter (where listed entity is not directly involved), etc.

However, explanation for the delay should be provided at the time of disclosure of the event/information.

2. Disclosure of events or information which emanate from a decision taken in a meeting of board of directors under Regulation 30(6) read with Master circular dated November 11, 2024 read with circular dated December 31, 2024 issued by SEBI

The timeline specified in the regulation pertaining to disclosure of events or information emanating from a decision taken in a meeting of board of directors, shall be applicable for the disclosure made in portable document format (.pdf). However, disclosure in eXtensible Business Reporting Language (XBRL) format may be made by the listed entity within 24 hours from the conclusion of the meeting of the board of directors.

3. Disclosure of communication from regulatory, statutory, enforcement or judicial authority under Regulation 30(13)

The listed entities, while disclosing material information with respect to communication from regulatory, statutory, enforcement or judicial authorities, shall neither be required to disclose confidential and sensitive information, including proprietary information nor be required to provide a copy of the communication from such authorities. Format for disclosing key elements in such cases is provided in Annexure C of the Standards.

4. Disclosure of fraud or default under Regulation 30 read with Para A(6) of Part A of Schedule III

Where the fraud relates to the listed company, the timelines stipulated in the Regulation for making disclosures to the stock exchanges would begin

- (i) once a prima facie assessment of fraud having occurred is completed, or
- (ii) upon the expiry of 4 weeks from the time when the listed company becomes aware of the alleged fraud, **whichever is earlier.**

Further, a final disclosure is required to be made by the listed entity once the investigation is fully concluded.

Where the allegation of fraud does not involve the listed company or is not in relation to its affairs, but pertains to its promoter, director, key managerial personnel, senior management or subsidiary, the obligation to make a disclosure shall get triggered once an officer of the listed company becomes aware of the occurrence of fraud, through credible and verifiable channels of communication.

5. Disclosure for resignation of key managerial personnel, senior management, etc. under Para A(7C) of Part A of Schedule III

In relation to the resignation concerning key managerial personnel, senior management, compliance officer and non-independent directors of a listed entity, the phrase “resignation comes into effect” shall mean the last date of the concerned person in the listed entity, and the timelines for disclosure shall be calculated accordingly.

For instance, if Ms. X is a key managerial personnel in a listed entity, who submits her resignation letter on January 1, 2024, the management of the listed entity accepts the resignation on January 31, 2024 and her last date in the listed entity is February 28, 2024, the listed entity will be required to make the **disclosure of her resignation** on or prior to February 29, 2024 (i.e. within 24 hours of such resignation coming into effect) as per Para A(7C). Further, the listed entity would also be required to **provide the copy of her resignation letter** dated January 01, 2024 on or prior to March 06, 2024 (i.e. within seven days from the date that such resignation comes into effect), along with detailed reasons for the resignation.

6. Disclosure of announcement/ communication through social media intermediaries or mainstream media under Regulation 30(4) read with Para A (18) of Part A of Schedule III

In case of any premature announcement or communication through social media intermediaries or mainstream media by directors, promoters, key managerial personnel or senior management of a listed entity, the listed entity shall while making the requisite disclosure, issue clarification in respect to such announcement / communication.

7. Disclosure of schedule of analysts or institutional investors meet at least 2 working days in advance under Para A(15(a)) of Part A of Schedule III

The requirement of providing at least two working days’ notice in advance may be dispensed with in case analysts or institutional investors meet is scheduled by the listed entities at short notice. In such a case, the schedule of meetings should simultaneously be submitted to the stock exchanges along with the explanation for the short notice. Further, the meeting shall not be preceded or succeeded by any one-to-one meetings.

8. Disclosure of proceedings of AGMs and EGMs of the listed entity under Para A(13) of Part A of Schedule III

A listed entity shall disclose voting results of annual and extraordinary general meetings as per the timelines provided in Regulation 44(3) of the LODR Regulations. However, certain specific details, such as, date of meeting and brief details of items deliberated, be disclosed within 12 hours as per Regulation 30(6)(ii) of the LODR Regulations.

9. Intimation of forfeiture/restriction on transferability under Para A(2) of Part A of Schedule III

The listed entity shall not be required to make disclosures in instances where the restriction on transferability is due to operation of any of the statutes or regulations applicable to the listed entity.

For instance, the RBI imposes restrictions on change in shareholding of NBFCs beyond 26% without approval of the RBI. Similarly, the Insurance and Regulatory Development Authority of India (IRDAI) has prescribed approval requirements if the holding crosses a certain limit.

In such cases, the listed entity would not be required to make disclosures on the restriction on transferability.

10. Disclosure of winding up petition under Regulation 30 read with Para A(11) of Part A of Schedule III

Listed entities can choose to disclose only those winding up petitions which are validly filed by eligible parties under Sections 271 and 272 of the Companies Act, 2013 (once such matter is admitted by NCLT).

11. Disclosure of show cause notices under: (i) Para A(20) of Part A of the Schedule III and (ii) Para B(8) of Part A of Schedule III

Receipt of a show cause notice would not trigger a disclosure requirement under Para A (20) of Part A of the Schedule III. However, the same from any regulatory, statutory, enforcement authority would come under Para B (8) of Part A of the Schedule III and require a disclosure upon application of the guidelines for materiality, as specified in Regulation 30(4).

12. Disclosure relating to other persons under Para A (19) and (20) of Part A of Schedule III

Listed entity while considering whether a matter involving directors, key managerial personnel, senior management, promoter or subsidiary requires disclosure, can choose to make disclosure in so far as it relates to the “listed entity” and has an impact on operations, financial position or reputation of the listed entity.

13. Materiality for disclosure under Para A (20) of Part A of Schedule III

For disclosure of imposition of fine or penalty under Para A (20) of Part A of Schedule III:

- Action taken or Order Passed by Sector Regulator / Enforcement Authority:

Action taken or order passed by the sector regulator / enforcement authority of the listed entity would be required to be disclosed, if such action or order, where quantifiable, exceeds the threshold specified by SEBI.

The listed entity may refer to Annexure B for identifying its sector regulator / enforcement authority.

- Action taken or Order Passed by all other Regulators / Authorities (Other than Regulators under paragraph 5.1.1 above):

Action taken or order passed by a regulatory/statutory/enforcement/judicial/quasi-judicial authority would be required to be disclosed only if such action or order, where quantifiable, exceeds the threshold specified by SEBI.

However, Imposition of fine or penalty below the quantifiable thresholds mentioned above, should be disclosed by the listed entity on a quarterly basis.

14. Interpretation of “value or the expected impact in terms of value” under Regulation 30(4)(i)(c)

In computing the “expected impact in terms of value” of an event/information, a listed entity should, where applicable, consider the expected impact in the four succeeding quarters (including the quarter in which the event occurs if the event occurs in the first 60 days of the quarter).

Illustration in this regard are provided below:

If an event has occurred on May 29, 2023, which is a date in the first 60 days of the quarter, then the computation of the four succeeding quarters would include the ongoing quarter beginning April 1, 2023. Accordingly, the period of assessment would be the four quarters beginning April 1, 2023, till March 31, 2024.

However, if an event has occurred on June 1, 2023, which is date not in the first 60 days of the quarter, then the computation of four succeeding quarters would not include the ongoing quarter. Accordingly, the period of assessment would then be from July 1, 2023 till June 30, 2024.

15. Annexure A of the Standards contains guidelines on appropriate parameter (profit / net-worth / turnover) to be considered for determination of materiality for different types of events under Para B of Part A of Schedule III of LODR Regulations.

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Compiled by: Barkha Vadher, Executive

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405, 7th Cross, IV Block, Koramangala, Bangalore – 560 034

☎: 080-25534374 / 25536618

✉: info@sharadasc.com

www.sharadasc.com