



**CONSULTATION PAPER ON STREAMLINING DISCLOSURES BY LISTED ENTITIES
AND STRENGTHENING COMPLIANCE WITH SEBI (LISTING OBLIGATIONS AND
DISCLOSURE REQUIREMENTS) REGULATIONS, 2015**

1. Objective

- 1.1. This consultation paper seeks comments/views/suggestions from the public on the proposals to amend the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**” or “**LODR**”) to address the following issues:
- 1.1.1. **Submission of first financial results by newly-listed entities.**
- 1.1.2. **Timeline to fill up vacancy of directors, Compliance Officer, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) in listed entities.**
- 1.1.3. **Freezing of demat accounts of the Managing Director(s), Whole-time director(s) and Chief Executive Officer(s) of a listed entity for continuing non-compliance with the LODR Regulations and / or non-payment of fines by a listed entity.**
- 1.2. The aforesaid issues and proposals have been dealt with under three different parts in this consultation paper.

PART – A – Submission of first financial results by newly listed entities

2. Background

- 2.1. Regulation 33 of LODR requires listed entities to submit financial results within the timelines mentioned below:
- 2.1.1. Quarterly financial results within 45 days from the end of each quarter, other than the last quarter (regulation 33(3)(a) of LODR Regulations);
- 2.1.2. Quarterly financial results for the last quarter and the annual financial results within 60 days from the end of the financial year (regulation 33(3) (d) and (e) of LODR Regulations).
- 2.2. At present, the above timelines are applicable for newly-listed entities as well for submitting their first quarterly financial results post listing.

3. Issue under consideration



3.1. SEBI is in receipt of representations regarding challenges faced by the newly-listed entities immediately after their listing and about the gap in the current regulatory provisions for ensuring timely disclosure of the first financial results of such newly-listed entities.

3.2. Challenges regarding immediate disclosure:

3.2.1. In cases when companies get listed close to the timeline prescribed for submission of financial results, they would be required to announce the first financial results within a very short period of time post listing. Since the financial results are price sensitive information, such disclosures immediately post listing may have large impact on the company's share price even before the price of its scrip has stabilized post listing.

3.2.2. In this regard, to better appreciate the above mentioned concern, different scenarios based on different dates of listing are presented below:

Table I: Challenges in disclosure of quarterly financial results

Listing Date (A)	Current requirement for disclosure of <u>December</u> quarter results post listing (B)	Gap between listing date & timeline for disclosure of first financial results (C = B – A)
January 01	By February 14	44 days
January 15	By February 14	30 days
January 31	By February 14	14 days
February 14	By February 14	0 days

3.2.3. In order to provide adequate time to newly-listed entities to disclose their first financial results post listing, it is desirable that at least 15 days' time period from the date of listing may be provided for such disclosures to a newly-listed entity.

3.3. Gaps in disclosure of financial results for a quarter and in timely disclosure of first financial results post listing:

3.3.1. As per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**"), issuers are required to provide audited financial results in their offer documents which should not be more than six months old prior to the issue opening date.

3.3.2. In the event where issuers list immediately after 45 days from the end of a quarter, in such a situation, the issuer may not have disclosed the financial results for such quarter in the offer document and would also not be required to disclose the same post listing. In such cases investors would not get the information on financial



performance of the issuer for one quarter, after its listing. This would also lead to information asymmetry as the company and its officials would have access to this information but the investors would not, who will be knowing only about the past period financials declared by the issuer at the time of its listing.

- 3.3.3. In addition to non-disclosure of financial results for one quarter as mentioned in the above para, the first financial results which will be required to be disclosed by the issuer would be for the next quarter only as a result of which, there would be large time gap before the first financial results are disclosed to the shareholders and public at large by such newly-listed entities.
- 3.3.4. In this regard, for better understanding of this issue, different scenarios based on different dates of listing are presented below:

Table II: Gaps in disclosure of quarterly financial results

Listing Date (A)	Current requirement for disclosure of <u>December</u> quarter results (B)	Current requirement for disclosure of <u>March</u> quarter and annual results (C)	Gap between listing date & timeline for disclosure of first financial results (D = C – A)
February 15	No requirement for disclosure of	By May 30	104 days (March quarter results)
March 01	December quarter results in the offer document or post listing.	By May 30	90 days (March quarter results)
March 31		By May 30	60 days (March quarter results)

- 3.4. As a result of the above, it may so happen that IPOs may be deliberately bunched up together in a short window of a few days so as to take the benefit of the current regulatory gap in disclosure of first financial results post listing and to avoid the challenges / apprehensions involved in immediate disclosure of first financial results post listing. Hence, there is a need to create a balance between the two extreme scenarios as demonstrated above and broaden the spectrum for listing.
- 3.5. As illustrated in Table I and Table II above, the following issues need to be addressed:
- 3.5.1. Absence of adequate time period for disclosure of financial results post listing.
- 3.5.2. Absence of the requirement to submit financial results for the previous quarter if the listing date happens to fall immediately after the statutory timeline prescribed for submission of the financial results.



3.6. The above mentioned issues were discussed in the Primary Market Advisory Committee (PMAC) of SEBI. Based on the discussions and further internal deliberations, the following is proposed in order to address the above mentioned two issues, respectively:

3.6.1. A time period of 15 days may be provided for newly-listed entities for disclosure of first financial results.

3.6.2. A newly-listed entity may be required to disclose its first financial results post its listing, for the period immediately succeeding to the periods for which financial statements were disclosed in its offer document for initial public offer, within 15 days from the date of listing or as per the applicable timeline under LODR Regulations, whichever is later.

For example, in case of listing on March 01, 2023, as per the requirement under ICDR Regulations, the issuer would have disclosed in its offer documents the financial results till the period ended September 30, 2022. Hence, post its listing, it would be required to disclose the financial results for the succeeding period, i.e., quarter ended December 31, 2022, within 15 days from the date of listing, i.e. by March 16, 2023. The annual financial results for the financial year ended March 31, 2023 would be required to be disclosed as per the timeline specified in the LODR Regulations, i.e., by May 30, 2023.

3.7. The effect of the above proposals on submission of financial results by newly-listed entities for December quarter and for the last quarter and financial year ended March is illustrated in [Annex I](#).

4. Proposal

4.1. It is proposed to insert a new clause (j) in sub-regulation (3) of regulation (33) of LODR as follows:

“(j) The listed entity, post listing, shall submit its first financial results, quarterly or annual as the case may be, immediately succeeding to the periods for which financial statements were disclosed in its offer document for initial public offer, as per the timeline indicated at clause (a) or clause (d) above, as applicable, or within 15 days from the date of listing, whichever is later.”

4.2. The above proposed amendment shall be made effective for the public issues opening on or after the date of notification of the amendments or such date as would be specified by SEBI.

5. Public comments: Comments are invited on the following:

5.1. *Whether you agree with the proposed timeline for submission of first financial results by the newly-listed entity?*



PART – B: Timeline to fill up vacancy of directors, Compliance Officer, CEO and CFO in listed entities

6. Timeline to fill up vacancy of directors in listed entities:

- 6.1. Regulation 17(1) of LODR Regulations specifies the composition of board of directors for the listed entities including minimum number of directors, independent directors, non-executive directors, woman director and independent woman director.
- 6.2. Regulation 25(6) of LODR Regulations specifies that an independent director who resigns or is removed from the board of directors of the listed entity shall be replaced by a new independent director by the listed entity at the earliest but not later than three months from the date of such vacancy.
- 6.3. No timeline has been prescribed under LODR Regulations for filling up vacancies of independent directors arising out of reasons other than resignation and removal, such as death, disqualification, etc., and for the vacancies of directors other than independent directors.
- 6.4. Considering the fact that every director on the board of a listed entity has significant role and responsibilities, there is a need to specify a reasonable timeline within which a vacancy arising for any director should be filled up by the listed entity. Timely filling up vacancies of directors will also ensure that the board of listed entities has an optimum combination of directors as envisaged under regulation 17(1) of LODR.
- 6.5. The requirement to fill up the vacancy of a director may not be applicable in case the listed entity is compliant with the composition of board of directors under regulation 17(1) of LODR without filling up the vacancy created.
- 6.6. Further, it is noted that the listed entity may become non-compliant with the composition of board of directors under regulation 17(1) of LODR due to the following:
 - 6.6.1. appointment of a non-independent director;
 - 6.6.2. change in designation of an existing director, for example, an independent director has become non-independent;
 - 6.6.3. cessation of an existing director due to completion of his/her tenure.
- 6.7. In the above mentioned three eventualities, the listed entity is always aware in advance of the consequent impending non-compliance with composition of board of directors under regulation 17(1) of LODR. Therefore, it is incumbent upon the listed entity to comply with the requirements of regulation 17(1) of LODR immediately after any one of the above stated three eventualities happen, and no additional timeline should be provided to the entity for filling up the vacancy.



6.8. The issue of specifying a timeline for filing up vacancy of directors was discussed in the Primary Market Advisory Committee (PMAC) of SEBI, and with the stock exchanges. Based on the discussions and further internal deliberations, the proposals to address the above mentioned issues are discussed in the subsequent paragraphs.

6.9. **Proposals:** In order to address the above mentioned issues, the following are proposed:

6.9.1. The extant sub-regulation 25(6) of LODR Regulations may be deleted.

6.9.2. A new sub-regulation may be inserted under Regulation 17(1) of LODR Regulations as follows:

“Any intermittent vacancy of a director shall be filled-up by the listed entity at the earliest but not later than three months from the date of such vacancy.

Provided that the above provision shall not be applicable to a listed entity which fulfils the requirement under sub-regulation (1) of regulation 17 without filling up the vacancy created.

Provided further that in case the listed entity has become non-compliant with the requirement under sub-regulation (1) of regulation 17 due to appointment of a non-independent director or change in designation of an existing director or cessation of an existing director due to completion of his/her tenure, the vacancy of director so created shall be filled-up by the listed entity not later than the date of such vacancy.”

6.10. **Public comments:** Comments are invited on the following:

6.10.1. *Whether you agree with the proposed new sub-regulation for filling up vacancy of directors by listed entities?*

7. Timeline to fill up vacancy of Compliance Officer, CEO and CFO in listed entities:

7.1. LODR Regulations cast various responsibilities and obligations on the Compliance Officer, CEO and CFO of listed entities.

7.2. Regulation 6(1) of LODR Regulations requires a listed entity to appoint a qualified company secretary as the compliance officer. Compliance officers of listed entities have been entrusted with a number of responsibilities relating to ensuring compliance with the regulatory provisions and following correct procedures, and co-ordination with and reporting to SEBI, recognized stock exchanges and depositories, etc.

7.3. CEO and CFO of a listed entity are required to provide compliance certificate for financial statements to the board of directors (reg. 17(8) of LODR) and certify that the quarterly financial results do not contain any false or misleading statement or figures and do not omit any material fact (reg. 33(2)(a) of LODR).



- 7.4. Considering the gravity of the responsibilities entrusted on the compliance officer, CEO and CFO of a listed entity, there is a need to specify a reasonable timeline within which a vacancy arising for such officers should be filled up by the listed entity. In case the listed entity has appointed a Managing Director (MD) / Whole Time Director (WTD) / Manager instead of a CEO, then the timeline for filling up the vacancy should be applicable to such personnel.
- 7.5. Section 203(4) of the Companies Act, 2013 requires that the vacancy of whole-time key managerial personnel (Company Secretary, CFO, and CEO / MD / WTD / Manager) shall be filled up by the company within six months from the date of such vacancy. In view of the additional functions and responsibilities of the Compliance Officer, CEO and CFO assigned to them under the LODR Regulations as mentioned in the above paragraphs, a stricter timeline of three months may be specified for filling up vacancy of such personnel, so as to ensure smooth functioning of the company.
- 7.6. Under LODR Regulations, one of the key functions of the board of directors of a listed entity is to oversee succession planning of key managerial personnel like Compliance Officer, CFO and CEO. Accordingly, the board of directors of the listed entity should ensure that the vacancies of such personnel are filled up in a timely manner.
- 7.7. **Proposal:** In view of the above, the following are proposed:
- 7.7.1. Timeline for filling up vacancy of compliance officer may be inserted in LODR Regulations as given below:
- “Any vacancy of a Compliance Officer shall be filled-up by the listed entity at the earliest but not later than three months from the date of such vacancy.”*
- 7.7.2. Timeline for filling up vacancy of CFO may be inserted in LODR Regulations as given below:
- “Any vacancy of a Chief Financial Officer shall be filled-up by the listed entity at the earliest but not later than three months from the date of such vacancy.”*
- 7.7.3. Timeline for filling up vacancy of CEO / MD / WTD / Manager may be inserted in LODR Regulations as given below:
- “Any vacancy of a Chief Executive Officer / Managing Director / Whole Time Director / Manager shall be filled-up by the listed entity at the earliest but not later than three months from the date of such vacancy.”*
- 7.8. **Public comments:** Comments are invited on the following:
- 7.8.1. *Whether you agree with the proposed timeline for filling up vacancy of Compliance Officer by listed entities?*



7.8.2. *Whether you agree with the proposed timeline for filling up vacancy of CFO by listed entities?*

7.8.3. *Whether you agree with the proposed timeline for filling up vacancy of CEO / MD / WTD / Manager by listed entities?*

PART – C: Freezing of demat accounts of the Managing Director(s), Whole-time director(s) and CEO(s) of a listed entity for continuing non-compliance with the LODR Regulations and / or non-payment of fines by a listed entity

8. Freezing of demat accounts of the Managing Director(s), Whole-time director(s) and CEO(s) of a listed entity for continuing non-compliance with the LODR Regulations and / or non-payment of fines by a listed entity:

8.1. Regulation 98 of the LODR Regulations states that the listed entity or any person thereof who contravenes any of the provisions of the LODR Regulations shall *inter-alia* be liable for the following actions by the respective stock exchange(s) in the manner specified in the circulars or guidelines issued by the Board:

- a) Imposition of fines;
- b) Suspension of trading;
- c) Freezing of promoter / promoter group holding of designated securities, as may be applicable, in coordination with depositories.
- d) Any other action as may be specified by the Board from time to time.

8.2. SEBI had issued circular no. SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020 (“**SOP circular**”) on ‘Non-compliance with certain provisions of the LODR Regulations and standard operating procedure (“**SOP**”) for suspension and revocation of trading of specified securities’.

8.3. Accordingly, stock exchanges have been empowered to take action against listed entities in case of non-compliance with LODR Regulations by levying fines, freezing promoters shareholding, suspension of trading, compulsory delisting of securities, etc.

8.4. In terms of the existing SoP circular, if a listed entity continues to be non-compliant with certain provisions of the LODR Regulations, even after imposition of fines, and / or has not paid the outstanding fines to the Stock Exchanges, notices are sent to the promoter(s) of the listed entity to ensure compliance and pay fines. In case of continuing non-compliance and / or non-payment of fines, the demat account(s) of the promoters are frozen till rectification of non-compliance and payment of outstanding fines.

8.5. While the aforesaid penal provisions work well for promoter-driven companies, the same may not be relevant for companies without any identifiable promoters. It is



observed that increasing number of professionally managed companies (without any identifiable promoters) are getting listed on the Stock Exchange(s). Therefore, the freezing provisions are not applicable to such companies if they are non-compliant with the LODR and / or have outstanding fines to the Stock Exchanges. Hence, there is a need to review the aspect of freezing of promoters accounts as specified in the existing SoP circular.

- 8.6. Further, in terms of regulation 4(2)(f)(ii)(8) of the LODR Regulations, it is the responsibility of the Board of Directors to oversee the process of disclosures by a listed entity. Additionally, in terms of regulation 17(3) of the LODR Regulations, the Board of Directors are required to review the compliance reports pertaining to all applicable laws as well as the steps taken by the listed entity to rectify the instances of non-compliance.
- 8.7. While the overall responsibility rests with the Board of Directors, the day-day affairs of the company are run by the Managing Director(s), Executive Directors i.e., the Whole-time directors (WTDs) & Chief Executive Officers (CEOs) of the company. Therefore, it is necessary to fix the accountability of the MD(s), WTDs and CEO(s) for a listed entity's continuing non-compliance with the LODR Regulations.
- 8.8. In terms of section 27(1) of the Securities and Exchange Board of India Act, 1992 ("**SEBI Act**"), where a contravention of the provisions of the Act or any rule, regulation made thereunder has been committed by a company, every person who at the time of contravention was in charge of the conduct of the business of the company shall be deemed to be guilty and shall be liable to be proceeded against and punished accordingly.
- 8.9. Proposal: It is proposed that the demat account of the WTDs, including the MD, and CEO(s) may be frozen, in addition to the demat account(s) of the promoters, for continuing non-compliance and / or non-payment of fines by a listed entity. This may result in timely compliance and / or payment of outstanding fines by listed entities and would ensure that MD, WTD, CEO are held accountable for non-compliance or non-payment of fines by listed entities. Further, this proposal would also be more relevant for professionally managed companies.
- 8.10. In order to give effect to the above proposal, it is proposed to insert new clause in regulation 98(1) of the LODR Regulations on the following lines (Insertion in italics and underlined):

“(1) The listed entity or any other person thereof who contravenes any of the provisions of these regulations, shall, in addition to liability for action in terms of the securities laws, be liable for the following actions by the respective stock exchange(s), in the manner specified in circulars or guidelines issued by the Board:

- a) imposition of fines;*
- b) suspension of trading;*



- c) *freezing of promoter/promoter group holding of designated securities, as may be applicable, in coordination with depositories.*
- d) *freezing of Managing Director/ Whole-time Director / Chief Executive Officer holding of designated securities in coordination with depositories.*
- e) *any other action as may be specified by the Board from time to time."*

Suitable changes would be done to the SoP circular to give effect to the aforesaid proposal.

- 8.11. Conditions for unfreezing the demat accounts on exit from a listed entity: As against the promoters who are associated with a company for a longer period of time till they get reclassified / declassified, the directors and CEO(s) are professionals who may leave the company for outside opportunities. Therefore, freezing their demat accounts for a longer period after quitting the company may cause undue prejudice to their interests. Hence, there is a need to strike a balance between individual accountability for continuing non-compliance and / or non-payment of fines by the listed entity vis-à-vis practical considerations.
- 8.12. In case the director / CEO plans to quit a company, he / she will be under the obligation to ensure compliance and / or payment of fines by the listed entity before leaving the company. However, in case the director / CEO is not in a position to ensure compliance and / or payment of fines before leaving the company, the obligation to ensure compliance would fall on the existing directors / CEO(s) or the newly appointed director(s) / CEO(s). In such a situation, the demat accounts of such outgoing directors / CEO may have to be unfrozen after the expiry of a specific period of time.
- 8.13. Proposal: It is proposed that the demat accounts MD(s) / WTD(s) / CEO(s) who resign from a non-compliant entity shall be unfrozen after the listed entity complies with the applicable provisions of the LODR Regulations and / or pays the outstanding fines, or on the 90th day from the date of getting relieved from the company, whichever is earlier. The new MD / WTD / CEO shall be given 90 days' time from the date of assuming charge to ensure the listed entity's compliance with the applicable provisions and payment of outstanding fines, failing which their demat account(s) shall be frozen. The same shall be incorporated in the SoP circular.
- 8.14. **Public comments:** Comments are invited from the public on the proposals mentioned at para 8.9 to 8.13 above and on following issues:
- a) Whether the demat accounts of all MD(s), WTD(s) and CEO(s) of a listed entity should be frozen for continuing non-compliance with the LODR provisions (for which penalty is prescribed in the SoP circular) and / or non-payment of outstanding fines by a listed entity?



- b) Should the demat accounts of MD(s), WTDs, CEOs be unfrozen after their resignation from the listed entity? Do you agree with the timeline of a maximum of 90 days as proposed above?
- c) Do you agree with the time period of 90 days to the newly appointed MD / WTD / CEO to ensure compliance and / or payment of fines by the listed entity failing which their demat accounts to be frozen?

9. Submission of public comments:

- 9.1. Considering the implications of the said matter on the listed entities, promoter(s) and other stakeholders, comments are invited from the public on the questions posed at para 5.1, 6.10, 7.8 and 8.14 above.
- 9.2. Comments may be sent by email to consultationcf@sebi.gov.in no later than **March 06, 2023**. While sending the email, kindly mention the subject as “**Comments on consultation paper on streamlining disclosures by listed entities and strengthening compliance with LODR Regulations**”.
- 9.3. The comments should be sent by email in MS Excel file in the following format only: [link to download the format](#).



Illustrations for timeline for submission of first financial results

The effect of the proposed amendment on submission of December quarter results by newly-listed entities is illustrated in the below tables:

Listing Date (A)	Current requirement for disclosure of <u>December</u> quarter results (B)	Gap between listing date & timeline for disclosure of first financial results (C = B – A)	Proposed requirement for disclosure of <u>December</u> quarter results (D)	Gap between listing date & timeline for disclosure of first financial results (E = D – A)
Jan 01	By Feb 14	44 days	By Feb 14	44 days
Jan 15	By Feb 14	30 days	By Feb 14	30 days
Jan 30	By Feb 14	15 days	By Feb 14	15 days
Jan 31	By Feb 14	14 days	By Feb 15	15 days *
Feb 14	By Feb 14	0 days	By March 01	15 days *

* The timeline is proposed to be relaxed in these cases to provide a cooling-off period for disclosure of financial results post listing.

Listing Date (A)	Current requirement for disclosure of <u>December</u> quarter results (B)	Current requirement for disclosure of <u>March</u> quarter and <u>annual</u> results (C)	Gap between listing date & timeline for disclosure of first financial results (D = C – A)	Proposed requirement for disclosure of <u>December</u> quarter results (E)	Gap between listing date & disclosure of first financial results (F = E – A)
Feb 15	No requirement	By May 30	104 days *	By March 2	15 days (December quarter results) #
March 01	No requirement	By May 30	90 days *	By March 16	
March 31	No requirement	By May 30	60 days *	By April 15	

* In the examples provided, the first financial results currently required to be disclosed by the listed entity would be for March quarter and financial year ended March.

As per the proposal, in the examples provided, listed entities would now be required to disclose December quarter results within 15 days from the date of listing.



The effect of the proposed amendment on submission of financial results for the last quarter and financial year ended March is illustrated in the below tables:

Listing Date (A)	Current requirement for disclosure of <u>March quarter and annual results</u> (B)	Gap between listing date & timeline for disclosure of first financial results (C = B – A)	Proposed requirement for disclosure of <u>March quarter and annual results</u> (D)	Gap between listing date & timeline for disclosure of first financial results (E = D – A)
April 01	By May 30	59 days	By May 30	59 days
April 30	By May 30	30 days	By May 30	30 days
May 15	By May 30	15 days	By May 30	15 days
May 16	By May 30	14 days	By May 31	15 days *
May 30	By May 30	0 days	By June 14	15 days *

* The timeline is proposed to be relaxed in these cases to provide a cooling-off period for disclosure of financial results post listing.

Listing Date (A)	Current requirement for disclosure of <u>March quarter and annual results</u> (B)	Current requirement for disclosure of <u>June quarter results</u> (C)	Gap between listing date & timeline for disclosure of first financial results (D = C – A)	Proposed requirement for disclosure of <u>March quarter and annual results</u> (E)	Gap between listing date & disclosure of first financial results (F = E – A)
May 31	No requirement	By August 14	75 days *	By June 15	15 days (March quarter and annual results) #
June 15	No requirement	By August 14	60 days *	By June 30	
June 30	No requirement	By August 14	45 days *	By July 15	

* In the examples provided, the first financial results currently required to be disclosed by the listed entity would be for June quarter.

As per the proposal, in the examples provided, listed entities would now be required to disclose March quarter and annual results within 15 days from the date of listing.