

**Approach paper on draft SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2014** (hereinafter referred to as the “draft Listing Regulations”)

**A. BACKGROUND**

1. Section 21 of Securities Contract (Regulation) Act, 1956 (“SCRA”) provides that “Where the securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange”. Pursuant to insertion of these provisions in SCRA in 1956, the Listing Agreement, although a contract, was made a statutory requirement, thereby making it mandatory for every listed entity in India to comply with the Listing Agreement.
2. Section 11A(2) (as amended in the year 2002) of the SEBI Act empowers SEBI to specify the requirement for listing and transfer of securities and matters incidental thereto. Section 12A (as inserted in the year 2004) of the SCRA empowers SEBI to issue directions to any company whose securities are listed or proposed to be listed in a recognised stock exchange in the interest of investors, or orderly development of securities market.
3. Listing Agreement entered into by listed companies with the stock exchanges prescribes initial and continuous disclosure norms. The modifications to provisions of Listing Agreement are prescribed by SEBI. The Listing Agreement has been modified from time to time to align with the regulatory requirements arising out of the dynamic changes in the capital market.
4. The initial disclosure norms for companies accessing the capital market in Equity or debt segment are prescribed in detail in various regulations, viz.:
  - 4.1. SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (“Debt Regulations”)
  - 4.2. SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008 (“SDI Regulations”)
  - 4.3. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“ICDR Regulations”)
  - 4.4. SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 (“NCRPS Regulations”)
5. There is a need to enhance the enforceability of the regulatory provisions contained in the Listing Agreement and also to comply with the mandate of the Parliament given in section 12A of SCRA and section 11A of SEBI Act.
6. International Monetary Fund in its Financial Sector Assessment Program updates (FSAP) issued a report giving a detailed assessment about India's Securities Market Development. In the findings the report inter-alia mentioned that “..... Mechanisms to ensure compliance with listing obligations, which include periodic reporting, are a responsibility of the RSEs. **Such mechanisms have limitations.** .....” The report recommended that Enforcement of compliance with listing obligations by RSEs should be strengthened and SEBI along with the RSEs should review whether current arrangements to review material events should be strengthened.
7. It was also seen that in various international jurisdictions (viz. USA, UK, etc.) the securities market regulator directly or indirectly scrutinizes/ reviews continuous disclosures. In some jurisdictions, a specific division/ unit of the regulator reviews continuous disclosures, e.g., US

SEC's Corporate Finance Division, UK FSA's Company Monitoring Team and Australian ASX's Issuer Unit wherein some basis is used for selection of cases for review.

8. Accordingly, a Committee consisting of members from Stock Exchange(s) and SEBI was formed for drafting an all encompassing umbrella Listing Regulations providing listing conditions and disclosure requirements for various categories of securities.

## **B. APPROACH**

9. In order to maintain a single document in line with the Listing Agreement and to address the concerns of excessive delegation in the garb of flexibility with respect to certain areas, such as, disclosure requirements , the following approach was adopted:

- 9.1. All the substantive requirements and enabling provisions of present Listing Agreements have been specified in the draft Listing Regulations as mandated in section 11A(2) of the SEBI Act and section 12A of SCRA.

- 9.2. The procedural requirements have been specified through Schedules to the draft Listing Regulations.

- 9.3. Certain provisions of Listing Agreements have been rearranged depending on timing and frequency of the disclosures to be made.

- 9.4. The provisions of Companies Act, 2013 which have already been notified have been suitably incorporated. Reference has also been made to various provisions of the Companies Act, 2013 wherever necessary.

- 9.5. References have also been included in brackets and coloured suitably at the beginning of each Regulation/Sub-Regulation/Clause, for easy reference to specific clauses of existing Listing Agreements. Abbreviations used for reference to specific Listing Agreements are as follows:

- Equity Listing Agreement → Equity
- Listing Agreement for listing on SME Exchange → SME
- Listing of Indian Depository Receipts issued by the issuing companies whose securities market regulators is signatory to the Multilateral Memorandum of Understanding of International Organisation of Securities Commission → IDRMC
- Listing Agreement for Debt Securities (non-convertible debt securities) → Debt
- Listing Agreement for Securitised Debt Agreement → SDI
- SEBI(Issue and Listing of Debt Securities) Regulations,2008 → Debt Regulations
- SEBI(Issue and Listing of Non-Convertible redeemable Preference Shares), Regulations, 2013 → NCRPS Regulations

- 9.6. Policy changes are being proposed separately in Clause 41 (Financial Results) of present Equity Listing Agreement by following a consultative process. Upon completion of the said process, final version would be incorporated in appropriate places in the draft Listing Regulations.

As regards Clause 49, SEBI vide Circular dated April 17, 2014 has issued revised Corporate Governance Framework which is applicable with effect from October 01, 2014. The contents of same have suitably been incorporated in appropriate places.

- 9.7. The formats for the disclosure requirements will be prescribed separately by way of a circular under section 11 of the SEBI Act and 12A of SCRA.
10. Accordingly, draft Listing Regulations have been prepared and are placed at [Annexure-I](#).
11. A summary of major new provisions and other substantial changes along with rationale is tabulated at [Annexure-II](#).
12. The basis of cross referencing the provisions of existing Listing Agreements vis-à-vis the draft Listing Regulations has been stated in [Annexure III](#) (Tables A to F):
- 12.1. Table A: Equity Listing Agreement & Listing Agreement of specified securities listed on SME Exchange vis-à-vis draft Listing Regulations
- 12.2. Table B: Listing Agreement for Debt Securities vis-à-vis draft Listing Regulations
- 12.3. Table C: Listing Agreement for listing of Indian Depository Receipt vis-à-vis draft Listing Regulations
- 12.4. Table D: Listing Agreement for Securitised Debt Instruments vis-à-vis draft Listing Regulations

### C. PUBLIC COMMENTS

13. Considering the importance of the draft Listing Regulations, public comments are solicited on the same. Specific comments/suggestions as per the format given below would be highly appreciated.

Name of entity/ person/ intermediary:			
Name of Organisation (if applicable)/Investor:			
Sr. No.	Pertains to Regulation/Sub-Regulation/Schedule/Clause /Sub-Clause (as applicable)	Proposed/ suggested changes	Rationale

14. Comments in the above format may please be emailed on or before May 30, 2014, to [lodr@sebi.gov.in](mailto:lodr@sebi.gov.in) or sent, by post, to:-

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