SEBI's Watchdog Role In Timely LODR Compliances

WEDNESDAY WISDOM
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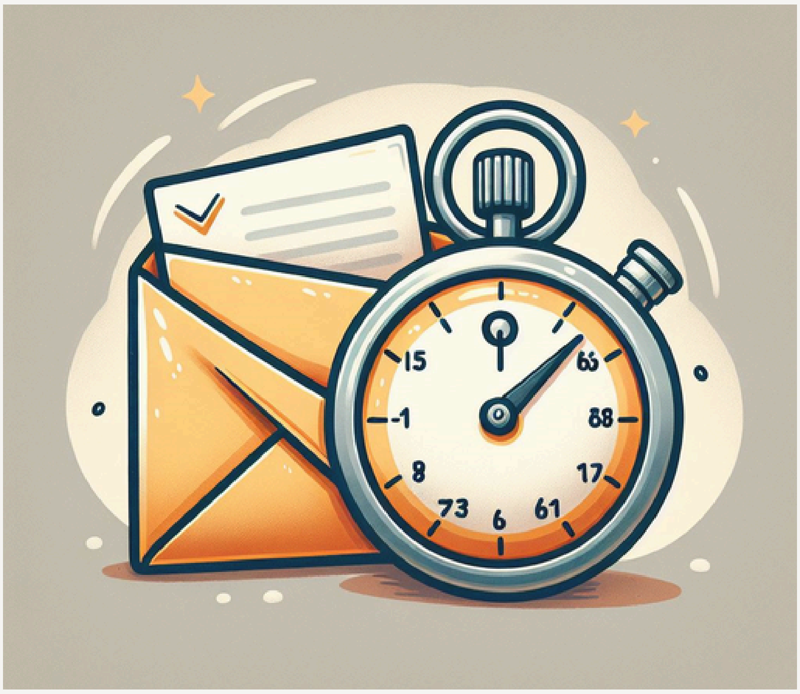
1. INTRODUCTION: [1]

In the world of corporate governance, transparency and timely disclosure are crucial for maintaining investor trust and market integrity. Recent warnings issued by the Securities and Exchange Board of India (SEBI) highlighted the critical importance of compliance with disclosure norms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For instance, Ola Electric Mobility found itself under SEBI's radar when its founder announced significant expansion plans on the social media platform before notifying the same to stock exchange. This premature dissemination of price-sensitive information contravened the disclosure norms.[2] Similarly, J & K Bank received SEBI's warning for delay in disclosing the appointment of its new Managing Director and CEO. While the disclosure was eventually made, the delay of just 1 hour and 40 minutes from the stipulated timeline was enough to receive a warning, highlighting SEBI's strict approach to ensuring timely compliance. [3]

These cases serve as a reminder to listed entities of their obligations to uphold transparency and adhere to regulatory timelines. To address these issues SEBI has laid down detailed obligations under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These regulations aim to create a robust framework for transparency and accountability, ensuring that listed entities maintain high standards of corporate governance. In this article, we will delve into the key aspects of Regulations 29 and 30 of the SEBI (LODR) Regulations,



[1] The article reflects the general work of the authors, and the views expressed are personal. No reader should act on any statement contained herein without seeking detailed professional advice.
[2] Ola Electric Disclosure Norms: Sebi warns Ola Electric over disclosure norms breach, ET LegalWorld
[3] Sebi issues warning to J&K Bank for delayed disclosure of MD appointment, ET LegalWorld

2. PRIOR INTIMATION (Regulation 29) [4]

A listed entity is mandated to provide prior intimation to the stock exchange regarding meetings of its board of directors where specific proposals are scheduled for consideration. The timeline for such intimation varies based on the nature of the proposal, as outlined below:

No of Days	Agenda for the Board Meeting
At least 2 clear days' notice in advance	• Proposal for buy back of specified securities • Proposal for Voluntary Delisting • Proposal for issue of Bonus Securities • Proposal for fund raising through FPO, QIP, Private Placement, Right Issue, ADR/GDR etc. • Proposal for the issue of Convertible Securities • Proposal for Declaration or Recommendation of Dividend
At least 5 clear days' notice in advance	• Financial Results such as Quarterly, Half Yearly, Annually
At least 11 clear days' notice in advance	• Alteration in the nature or form any listed securities or rights attached to such securities • Alteration in the date on which Interest on debt securities or redemption amount of redeemable securities is payable

Non-compliance with Regulation 29 attracts a penalty of ₹10,000 per instance per item.

[4] SEBI | Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Last amended on July 10, 2024]

3. DISCLOSURE OF INFORMATION (Regulation 30)

Regulation 30 of the SEBI (LODR) Regulations emphasizes the timely and accurate disclosure of material events or information by listed entities.

Pursuant to this regulation every listed entity shall make disclosure of any events or information which is material in the opinion of the Board of Director. The listed entity shall frame a policy for determination of materiality, duly approved by its Board of Directors, which shall be disclosed on its website as well. The Board of Directors of listed entities shall authorize one or more Key Managerial Personnel to determine materiality of an event or information and make disclosure to the Stock Exchange.

For instance, Reliance Industries Limited has established a detailed policy for determining the materiality of events or information. Key highlights include:

- **Criteria for Materiality:**

1. events are evaluated based on their likely impact on public information continuity, market reactions, or as deemed material by the Board of Directors.
2. The omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly etc.

- **Disclosure Process:**

1. Reliance Industries Limited assigns specific Key Managerial Personnel (KMP) the responsibility of identifying and disclosing material events promptly.

- **Review Mechanism:**

1. The policy is periodically reviewed to align with regulatory updates and industry best practices.

The full policy document is available on Reliance Industries Limited’s official website for reference. [5]

Categories of Events to be Disclosed [6]

Deemed Material Events (Para A of Part A of Schedule III)

Events specified in this category are automatically deemed material and must be disclosed by the listed entity.

Material Events Based on Guidelines (Para B of Part A of Schedule III)

Events falling under this category require the application of materiality guidelines or policy developed by company for determining their disclosure

[5] POLICY ON DETERMINATION AND DISCLOSURE OF MATERIALITY OF EVENTS AND INFORMATION AND WEB ARCHIVAL POLICY copy
[6] SEBI | Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Last amended on July 10, 2024]

1. Thirty minutes:

Certain outcomes of board meetings must be disclosed within 30 minutes of the meeting's conclusion. These include:

- Declaration or recommendation of dividends and/or cash bonuses, along with payment/distribution dates.
- Cancellation of dividends, with reasons provided.
- Decisions regarding the buyback of securities.
- Approval of fundraising activities.www.ynzgroup.co.inwww.ynzgroup.co.in
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- Increase in capital via bonus shares, including the timeline for credit/distribution of shares.
- Reissue of forfeited shares, issuance of shares reserved for future issuance, or creation of new securities or rights.
- Alterations in capital structure, including details of any calls on shares.
- Approval of financial results (quarterly, half-yearly, or annual).

2. Twenty-four hours from the occurrence of the event or information or any material decision taken in the meeting of Board of Directors.

In cases where disclosures are delayed, the entity must provide an explanation for the delay along with the disclosure.

there is no specific provision under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for imposing penalty for non-compliance of Regulation 30 of the said Regulations however SEBI has levied huge penalties for contravention of this provision.

For instance, in the case of Shapoorji Pallonji and Company Pvt. Ltd (2023), SEBI imposed a penalty of ₹7 lakh on Shapoorji Pallonji and Company for failing to obtain prior approval from the stock exchange before converting non-convertible debentures into a term loan in March 2021. Additionally, the company did not submit required certificates and reports to the debenture trustee and failed to update certain information on its website, violating the LODR Regulations.[7]

In June 2022, SEBI imposed a ₹30 lakh penalty on RIL and two compliance officers for not promptly clarifying information about the Jio-Facebook deal. The deal was disclosed through newspapers before an official announcement to the stock exchanges, leading to a 28-day delay in formal disclosure. [8]

[7] SEBI | Adjudication Order in the matter of Shapoorji Pallonji and Company Pvt. Ltd

[8] Reliance Industries: Sebi fines RIL, 2 officers Rs 30 lakh for late information on Jio-FB deal, ET LegalWorld

4. CONCLUSION:

Hence timely and accurate dissemination of information plays a pivotal role in corporate governance. Non-compliance with these obligations not only risks regulatory action but also weakens investor confidence and the integrity of the market. While Regulation 29 focuses on prior intimation to the stock exchange regarding critical corporate decisions, Regulation 30 emphasizes the timely disclosure of material events or information. In an era where information is power, ensuring that material events are disclosed promptly and accurately is a responsibility that no listed entity can afford to neglect.

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