

CONSOLIDATED LISTING AGREEMENT COMES INTO FORCE

The year 2014 is going into the history of the Indian Corporate laws as the year of changes. The beginning of the year saw the advent of the Companies Act, 2013 (CA 2013) coming into effect and the midst of it there were changes in the Listing Agreement to align the latter with the CA 2013. In the latter part of the ensuing financial year there were changes in the regulatory frame work for the Non-Banking Financial Banking Companies (NBFC) and ESOP and this has been followed with yesterdays Securities Exchange Board of India (SEBI) board meeting wherein see saw changes have been brought into place.

The key decisions which took place can be grouped as following –

1. New Insider Trading Code
2. Consolidated Listing Agreement for Securities
3. Amendment to Delisting of Equity Shares Regulations
4. Amendments to Mutual Funds Regulations
5. Risk Based supervision of Market Intermediaries
6. Granting single Registration to Depository participants
7. Recommendation of the Depository System Review Committee
8. Notice for settlement of certain administration and civil proceedings
9. Reclassification of Promoters
10. Issuance of Partly paid shares and warrants by Indian Companies
11. Use of Secondary Market Infrastructure for Public Issuance
12. Imposing restrictions on willful defaulters
13. Amendment in SEBI Foreign Venture Capital Investors Regulations

Through this information document we are analyzing the listing of securities and the key changes brought in such regulations are discussed herein below on the basis of SEBI Press release dated November 19, 2014 and once the entire set of new regulations are out we shall be analyzing and accordingly updating the same in detail in coming days.

Analysis

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. . 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. In order to make the compliance more robust for the listed entities The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2014 (Listing Regulations), has been brought into effect inter alia, it is a comprehensive Regulation in respect of various types of listed securities. This Regulation would consolidate and streamline the provisions of existing listing agreements thereby ensuring better enforceability. This Regulation would be applicable to Specified Securities (Listed on Main Board and SME Platform) , Non-convertible Debt Securities, Non-Convertible Redeemable Preference Shares (NCRPS) , Indian Depository Receipts , Securitised Debt Instruments and Units issued by Mutual Fund Schemes.

The Listing Regulations have been sub-divided into three parts viz.,



Some of the important new provisions in the Listing Regulations include:

1. The overarching principles for making disclosures & obligations.
2. Mandatory filing on Stock Exchanges through electronic platform.
3. Mandatory appointment of Company Secretary as compliance officer except for units of Mutual Funds listed on Stock Exchanges.
4. Introduction of enabling provision for Annual Information Memorandum.
5. Mandatory registration in SCORES by all listed entities for redressal of investor grievances.
6. Mandatory for listed entities to co-operate with intermediaries registered with SEBI.
7. Converged provisions for specified securities (equity segment) listed on Main Board and SME Platform with necessary carve-outs for SMEs.
8. Applicability of certain equity segment provisions, such as, submission of Form B (audit reports containing modified opinion), transfer and transmission of securities, etc. to entities which have listed their Debt Securities and/or NCRPS.
9. Necessity to execute a shortened version of Listing Agreement within six months of notification of these regulations.

Other sweeping changes include those which are in the nature of either providing clarity or maintaining consistency or removals of redundancies have been carried out in the Listing Regulations. Such changes include removal of dichotomy regarding utilization of issue proceeds, manner of dealing with unclaimed shares, aligning connected provisions pertaining to disclosures on website and issuing advertisements, disclosures in Annual Report, documents and information to be provided to holders of securities, terms and structure of securities, and operational modalities in manner of review of audit reports with modified opinion, etc.



There were certain provisions in the listing agreements related to issuance of securities and not in the nature of continuous obligations, such as, 1% security deposit, allotment, refund, payment of interest on account of delay in allotment / non-allotment, etc. They have been now incorporated in respective regulations, viz., ICDR Regulations, ILDS Regulations, etc. Similarly, requirements which are in the nature of continuous disclosure and obligations have been shifted and now incorporated in the Listing Regulations.

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