

SEBI UPDATES FOR THE MONTH OF AUGUST, 2019

A. DISCLOSURE OF REASONS FOR ENCUMBRANCE BY PROMOTER OF LISTED COMPANIES:

- SEBI vide Circular No. SEBI/HO/CFD/DCR1/CIR/P/2019/90 dated 7th August, 2019, mandates disclosures of reasons for encumbrance by promoter of listed companies.
- This is in modification of circular dated August 05, 2015 on “format for disclosure under Regulation 31(1) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011”
- In order to bring grater transparency SEBI had been decided to prescribe additional disclosure requirements under regulation 31 (1) read with regulation 28 (3) of takeover Regulation as follows:
 - (i) The promoter of every listed company shall disclose detailed reasons for encumbrance if the combined encumbrance by the promoter along with PACs with him equals or exceeds:
 - a) 50% of their shareholding in the company; or
 - b) 20% of the total share capital of the company,in the format provided at Annexure – II, within two working days from the creation of such encumbrance.

Note: Such disclosures will be warranted on every occasion, when the extent of encumbrance (having already breached the above threshold limits) increases further from the prevailing levels.
 - (ii) If the existing combined encumbrance exceeds the above mention threshold limit as on September 30, 2019, then he shall make the first disclosure on detailed reason for encumbrance in the format provided at Annexure-II by October 04, 2019
 - (iii) The disclosure on reasons for encumbrance in the format provided at Annexure- A shall be made to, -
 - a) every stock exchange where the shares of the company are listed; and
 - b) the listed company
 - (iv) The recognized stock exchanges shall maintain and separately disseminate the list of such companies along with details of encumbrance and reasons for encumbrance, on their websites promptly; and

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(v) The listed companies shall disclose the contents of Annexure – II on their websites within two working days of receipt of such disclosure.

- The circular shall come into force with effect from the quarter ended October 01, 2019.
- Refer the formats for Disclosure of reason for encumbrance by promoter of listed companies as per Annexure II to this circular are being prescribed in the below link:

https://www.sebi.gov.in/legal/circulars/aug-2019/disclosure-of-reasons-for-encumbrance-by-promoter-of-listed-companies_43837.html

B. NON-COMPLIANCE WITH CERTAIN PROVISIONS OF SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018 (“ICDR REGULATIONS”):

- SEBI vide Circular SEBI/HO/CFD/DIL2/CIR/P/2019/94 dated 19th August, 2019 specifies the fines to be imposed by the Stock Exchanges for Non-compliance with certain provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”).
- Present Circular is issued in supersession to the Circular bearing reference number CIR/CFD/DIL/57/2017 dated June 15, 2017, specifying the fines to be imposed by the Stock Exchanges for non-compliance with certain provision of SEBI (ICDR) Regulation, 2009
- Regulation 297 and 298 of SEBI (ICDR) Regulations, 2018, specifies liability of a listed entity or any other person for contravention and actions which can be taken by the respective stock exchange, the revocation of such actions and consequences for failure to pay fine in the manner specified by SEBI.
- In pursuance of the above, for non-compliance with certain provisions of ICDR Regulations, stock exchanges shall impose fines on the listed entities, as under:

| Sr. No | Violation | Regulation/Schedule | Fine |
|--------|---------------------------------------|---------------------|--|
| 1. | Delay in completion of a bonus issue: | 295 (1) | Rupees 20,000/- per day of non compliance till the |

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| | <p>i. Within 15 days from the date of approval of the issue by its board of directors – in cases where shareholders’ approval for capitalization of profits or reserves for making the bonus issue is not required.</p> <p>ii. Within 2 months from the date of the meeting of its board of directors wherein the decision to announce bonus issue was taken subject to shareholders’ approval – in cases where issuer is required to seek shareholders’ approval for capitalization of profits or reserves for making the bonus issue.</p> | | date of compliance. |
| 2 | Listed entities not completing the conversion of convertible securities and allotting the shares, within 18 months from the date of allotment of convertible securities. | 162 | Rupees 20,000/- per day of non compliance till the date of compliance. |
| 3 | As per Schedule XIX - Para (2) under heading Application for listing, it is stated that: “The issuer shall make an application for listing, from the date of allotment, within such period as maybe specified by the Board from time to time, to one or more recognized stock exchange(s)”. In regard to above, it is specified that Issuer shall make an | Schedule XIX – Listing of Securities on Stock Exchanges. | Rupees 20,000/- per day of non compliance till the date of compliance. |

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| | application to the exchange/s for listing in case of further issue of equity shares from the date of allotment within 20 days (unless otherwise specified). | | |
| 4 | Listed entities shall make an application for trading approval to the stock exchange/s within 7 working days from the date of grant of listing approval by the stock exchange/s. | - | Rupees 20,000/- per day of non compliance till the date of compliance. |

➤ **Credit of fines**

- (a). The amount of fine realized as per the above structure shall continue to be credited to the “Investor Protection Fund” of the concerned stock exchange.
- (b). The recognized stock exchange shall disseminate on their website the names of non-compliant listed entities that are liable to pay fine for non-compliance, the amount of fine imposed, details of fines received, etc.
- (c). The recognized stock exchange shall issue notices to the non-compliant listed entities to ensure compliance and collect fine as per this circular within 15 days from the date of such notice.
- (d). Needless to state, if any non-compliant listed entity fails to pay the fine, the recognized stock exchange may initiate appropriate enforcement action, including prosecution in furtherance of regulation 298 of ICDR, 2018.

➤ **Clarification on bonus issue delays:**

- (a). The approvals for the listing and trading of promoters’ bonus shares may be granted by the Stock Exchange, only after payment of the requisite fine by the listed entity.
- (b). However, the approvals for the listing and trading of bonus shares allotted to persons other than the promoter(s) may be granted in the interest of the investors, subject to compliance with other requirements.

- This circular will be applicable from the date of issue of the circular.

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➤ Refer below link of this Circular.

<https://www.sebi.gov.in/legal/circulars/aug-2019/non-compliance-with-certain-provisions-of-sebi-issue-of-capital-and-disclosure-requirements-regulations-2018-icdr-regulations-43941.html>

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