

NDA Update – Amendment to SEBI (Listing Obligations & Disclosure Requirements) Regulation

SEBI has amended the SEBI (Listing Obligations & Disclosure Requirements) Regulations vide a notification dated 12.12.2024 (which was published in Official Gazette on 13.12.2024). These amendments shall come into force on the date of their publication in the official gazette except as stated in this update.

Important amendments are as under:

- **New norms for Secretarial Auditors (Reg 24A)** – Detailed norms governing appointment, re-appointment, terms and removal of Secretarial Auditors have **now** been prescribed.
 - Now, only a **peer reviewed Secretarial Auditor** can undertake secretarial audit of a listed entity and its material unlisted subsidiaries incorporated in India.
 - Like appointment of Statutory Auditors, appointment or re-appointment of Secretarial Auditor shall now require approval of shareholders in the AGM.
 - It has also been specified that an individual may be appointed for a term of 5 consecutive years and a firm may be appointed for a maximum of two terms of 5 consecutive years. However, any association as Secretarial Auditor before March 31, 2025 shall not be considered for calculating the tenure as above. Like the Statutory Auditors, a cooling off period of 5 years has been prescribed for re-appointment of Secretarial Auditor.
 - The casual vacancy arising out of resignation, death or disqualification of a Secretarial Auditor shall be filled by the Board of directors within a period of three months and the secretarial auditor so appointed shall hold office till the conclusion of the next AGM.
 - With effect from April 1, 2025, every listed entity shall ensure compliance with the regulations for appointment, re-appointment or continuation of the Secretarial Auditor.
- In Regulations 16 & 24 while defining “material subsidiary”, the word “income” has been substituted by the word “turnover”. **Thus, “material subsidiary” shall now mean a subsidiary, whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.**

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- **Record Date under Reg 42 –**

- Notice of record date specifying the purpose thereof to the Stock Exchange(s) shall now be given at least 3 working days in advance (excluding the date of intimation and the record date) as against 7 working days presently.
- Time gap between 2 record dates is amended from “at least 30 days” to “at least 5 working days”.

- **Website under Reg 46**

- New requirement of dissemination of the following additional information:
 - Memorandum of Association & Articles of Association
 - Brief profile of board of directors including directorship and full-time positions in body corporates
- Presently, presentations made by the listed entity to analysts or institutional investors are required to be disseminated on the website without any time line of such dissemination. Now, presentations prepared by the listed entity for analysts or institutional investors meet, post earnings or quarterly calls shall be disseminated **prior to beginning of such events.**
- **New requirement has been inserted for video recordings, if any, which shall be made available on the website within 48 hours of conclusion of such calls.**
- **The minimum period of hosting of audio or video recordings on the website shall now be 2 years as against 5 years presently for audio recording.**
- The board of directors shall meet at least four times a **financial** year, with a maximum time gap of one hundred and twenty days between any two **consecutive** meetings. **Words “financial” & “consecutive” being added by this amendment.** [Reg 17(2)]. Similarly, in case of Audit Committee Meeting (Reg 18), Nomination and remuneration committee meeting (Reg 19), Stakeholders Relationship Committee Meeting (Reg 20) and Risk Management Committee Meeting (Reg 21), **word “year” for the purpose of number of meeting(s) has been replaced by “financial Year”.**

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- **New requirements in Schedule II (Corporate Governance)**
 - The listed entities ranked from 1001 to 2000 as per the list prepared by recognized stock exchanges shall endeavour to have at least one woman independent director on its board of directors
 - The independent directors of top 2000 listed entities as per market capitalization shall endeavour to hold at least two meetings in a financial year, without the presence of non-independent directors and members of the management and all the independent directors shall endeavour to be present at such meetings.
 - Listed entities ranked from 1001 to 2000 in the list prepared by recognized stock exchanges may constitute a risk management committee.
- **Advertisement of Financial Results in the Newspaper – Reg 47**
 - The existing provision has been substituted by a new provision as under:
 - The listed entity shall publish an advertisement in the newspaper, within 48 hours of conclusion of the meeting of board of directors at which the financial results were approved, **containing a Quick Response code (QR Code) and the details of the webpage where complete financial results along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor, is accessible to the investors.**
 - However, a listed entity may publish, if it so chooses, the financial results along-with the modified opinion(s) or reservation(s), if any, expressed by the auditor in the newspaper **as per the format specified** within 48 hours of conclusion of the meeting of the board of directors at which the financial results were approved.
- **Audit Committee approval not required on certain remuneration -** Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that **the same is not material** as defined under these regulations. New clause (e) inserted in Reg 23(2).

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- **Subsequent ratification of Related Party Transactions by Audit Committee** - The members of the audit committee, who are independent directors, may ratify related party transactions **within three months from the date of the transaction** or in the **immediate next meeting** of the audit committee, whichever is earlier, subject to the following conditions: (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore; (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation; (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification; (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation; (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it. New clause (f) inserted in Reg 23(2).

- **Disclosure of Related Party Transactions under Reg 23(9) to the Stock Exchange(s) not to be made** for remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group provided that the same is not material as defined under these regulations.
- Retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable / offered to all employees and directors **shall not be considered as Related Party Transaction**. [Reg 2(1)(zc)]
- The key managerial personnel, directors, promoter, promoter group or any other person dealing with the listed entity shall disclose to the listed entity all information that is relevant and necessary for the listed entity to ensure compliance with the applicable laws. (Reg 5)

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- In case of a listed entity in respect of which a resolution plan under section 31 of the Insolvency Code has been approved, following amendments have been made:
 - Any vacancy in the office of the Compliance Officer, Chief Executive Officer, Managing Director, Whole Time, Director or Manager or Chief Financial Officer shall be filled within a period of 3 months of such approval. However, in the interim, such listed entity shall have not less than one full-time key managerial personnel managing its day-to-day affairs. (Reg 6 & 26A).
 - Such entities shall ensure compliance with Regulations 17 (Board of Directors), 18 (Audit Committee), 19 (Nomination & Remuneration Committee), 20 (Stakeholders Relationship Committee) and 21 (Risk Management Committee) within a period of three months of approval of resolution plan. Presently, entities undergoing corporate insolvency resolution process under the Insolvency Code are not required to comply with these regulations during insolvency resolution process.
 - Such entities shall disclose its financial results within 90 days from the end of the quarter in which such resolution plan was approved, except in case such resolution plan has been approved in the last quarter of a financial year. In case where the resolution plan has been approved in the last quarter of a financial year, it shall disclose its annual audited financial results within 120 days from the end of such financial year.
- A listed entity shall appoint a qualified company secretary as the compliance officer who shall be an officer, **who is in whole time employment of the listed entity, not more than one level below the board of directors** and shall be designated as a **Key Managerial Personnel. (Reg 6)**
- Presently under Reg 17(11), the statement to be annexed to the notice as referred to in sub-section (1) of section 102 of the Companies Act, 2013 for each item of special business to be transacted at a general meeting shall set forth clearly the recommendation of the board to the shareholders on each of the specific items. Now the **“rationale”** shall also be required to be mentioned.

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- Presently, no listed entity should appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person. The amendment now requires, the listed entity to ensure aforesaid compliance at the time of appointment or re-appointment or any time prior to the non-executive director attaining the age of seventy- five years. [Reg 17(1A)].
- Presently, the listed entity has to ensure that approval of shareholders for appointment or reappointment of a person on the board of directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier. A new proviso has been added providing that *if such appointment or re-appointment of a person to the board of directors or as a manager is subject to approval of regulatory, government or statutory authorities, then the time taken to receive such approvals shall be excluded for the purposes of this clause.* [Reg 17(1C)]
- **Disclosure of events or information under Reg 30** - Presently, listed entity are required to disclose to the stock exchange(s) all events or information which are material as soon as reasonably possible and in any case not later than 30 minutes from the closure of the meeting of the board of directors in which the decision pertaining to the event or information has been taken. It has been amended that in case the meeting of the board of directors closes after normal trading hours of that day but more than 3 hours before the beginning of the normal trading hours of the next trading day, the listed entity shall disclose the decision pertaining to the event or information, within 3 hours from the closure of the board meeting. In case the meeting of the board of directors is being held for more than one day, the financial results shall be disclosed within 30 minutes or 3 hours, as applicable, from closure of such meeting for the day on which it has been considered.

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Following amendments shall come into force with effect from 31.12.2024.

- The listed entity shall file with the recognised stock exchange(s) on a quarterly basis a statement detailing the redressal of investor grievances in such form and within the timelines as may be specified by the Board. At present, filing is required to be done within twenty one days from the end of each quarter. (Reg 13)
- Quarterly Compliance Report on Corporate Governance – To be submitted to the recognized Stock Exchange(s) in such format and within the time line as may be specified by SEBI. At present, filing is required to be done within twenty one days from the end of each quarter. [Reg 27(2)]

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https://www.sebi.gov.in/legal/regulations/dec-2024/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-third-amendment-regulations-2024_89956.html