

Guidance Note on SEBI circular dated January 22, 2020 regarding non-compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) and the Standard Operating Procedure (SOP) for suspension and revocation of trading of specified securities

SEBI vide circular dated January 22, 2020 (ref no. SEBI/HO/CFD/CMD/CIR/P/2020/12) have specified uniform approach in the matter of levy of fines for non-compliance with certain provisions of the Listing Regulations, the manner of suspension of trading of securities of a listed entity and the manner of freezing the holdings of the promoter of a non-compliant listed entity.

A. Salient Features of the circular

- Shall come into force effective from compliance periods ending on or after June 30, 2020.
- Fine applicable to total 28 regulations viz; 6(1), 7(1), 13(1), 13(3), 17(1), 17(1A), 17(2), 17(2A), 18(1), 19(1)/19(2), 20(2)/(2A), 21(2), 23(9), 24A, 27(2), 28(1), 29(2)/29(3), 31, 31A(3)(a), 32(1), 33, 34, 42(2)/42(3)/42(4)/42(5), 43(A), 44(3), 44(5), 45(3), 46.
- Penal action prescribed for freezing of entire holding of promoters on non-submission/nonpayment of fine at FIRST INSTANCE of non-compliance.
- SHIFTING OF TRADING IN SECURITIES TO Z CATEGORY AND SUSPENSION OF TRADING: For non-compliance of the 7 regulations for 2 consecutive quarters, trading in securities of the company will be shifted to Z category and then subsequently get suspended.
- After suspension, if company fails to comply within 6 months from the date of suspension, the Exchange shall initiate the process of COMPULSORY DELISTING against such company.

B. Compliance with provisions of LODR

| Sr. No. | Regulation | Action by the Exchange post identification of noncompliance |
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| 1 | <p>Regulation 6(1) Non-compliance with requirement to appoint qualified company secretary as the compliance officer</p> | <p>1. Review of non-compliances will be done within 30 days from end of due date of submission of Reconciliation of share capital audit report and letter will be issued for intimation of fine levied.</p> <p>e.g. For compliance period from April 01, 2020 till June 30, 2020, submission done by company in Reconciliation of share capital audit report for quarter ended June 30, 2020 will be considered and fine will be levied for non-compliance.</p> <p>2. Exchange will monitor it on Quarterly basis i.e. details of compliance officer are already captured in Reconciliation of share capital audit report which is submitted quarterly.</p> <p>3. If compliance officer is not appointed during quarter or compliance officer appointed is not a company secretary, then fine will be levied for number of days of non appointment of compliance officer.</p> <p>4. If company fails to submit Reconciliation of share capital audit report then fine will be levied for entire quarter under this regulation for non appointment of compliance officer.</p> |
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| Sr. No. | Regulation | Action by the Exchange post identification of noncompliance |
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| | | <p>However, if company confirm in writing that it has appointed compliance officer during quarter before issue of review notice by Exchange then fine shall not be levied else fine will be levied for entire quarter.</p> |
| 2 | <p>Regulation 7(1) Non-compliance with requirement to appoint share transfer agent</p> | <p>1. Review of non-compliances will be done within 30 days from end of due date of submission of Reconciliation of share capital audit report and letter will be issued for intimation of fine levied.</p> <p>e.g. For compliance period from April 01, 2020 till June 30, 2020, submission done by company in Reconciliation of share capital audit report for quarter ended June 30, 2020 will be considered and fine will be levied for non-compliance.</p> <p>2. Exchange will monitor it on Quarterly basis i.e. details are already captured in Reconciliation of share capital audit report.</p> <p>3. If company has not appointed share transfer agent during quarter, then fine will be levied for number of days of non appointment of share transfer agent.</p> <p>4. If company fails to submit Reconciliation of share capital audit report then fine will be levied for entire quarter under this regulation for non appointment of share transfer agent.</p> <p>However, if company confirm in writing that it has appointed share transfer agent during quarter before issue of review notice by Exchange then fine shall not be levied else fine will be levied for entire quarter.</p> |

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| 3 | <u>Regulation 13(1)</u> Failure to ensure that adequate steps are taken for expeditious redressal of investor complaints | 1. The non-compliance shall be monitored on monthly basis as per process laid down in SEBI circular no. SEBI/HO/OIAE/IGRD/CIR/P/2020/152 dated August 13, 2020. |
| 4 | <u>Regulation 13(3)</u> Non-submission of the statement on shareholder complaints within the period prescribed under this regulation or under any circular issued in respect of redressal of investor grievances | 1. Reg. 13 (3) – non submission of Investor compliant statement within 21 days from the end of each quarter will be treated as non-compliance. Review of non-compliances will be done within 30 days from the due date of submission of statement on shareholder complaints and letter will be issued for intimation of fine levied. |
| 5 | <u>Regulation 17(1)</u> Non-compliance with the requirements pertaining to the composition of the Board including failure to appoint woman director | 1. Review of non-compliance will be done within 30 days from due date of submission of Corporate Governance Report. 2. If company submits Corporate Governance Report within due date and observed as non-compliant then fine will be levied for number of days of non-compliance during the quarter. |

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| | | 3. If company fails to submit corporate governance report then fine will be levied for entire quarter under this regulation. Fine shall not be levied only if company submits corporate governance report ensuring compliance with this regulation before issue of review notice by the Exchange. 4. Fraction shall be rounded off to the higher number while determining compliance. 5. Fine shall be levied only one time for the multiple non-compliance within the same regulation. |
| 6 | <u>Regulation 17(1A)</u> Non-compliance with the requirements pertaining to appointment or continuation of Nonexecutive director who has attained the age of seventy five years | 1. Review of non-compliance will be done within 30 days from due date of submission of Corporate Governance Report. 2. Fine will be levied if the special resolution for appointment of nonexecutive director is not passed or age of the director/date of birth and the reason for appointment of the non-executive director is not mentioned in the explanatory statement to the notice. 3. In case the age of the non-executive director is nearing 75 years, the special resolution shall be passed before or before the date of attaining age of 75 years by the said director. |

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| 7 | <u>Regulation 17(2)</u> Non-compliance with the requirements pertaining to the number of Board meetings | <ol style="list-style-type: none"> 1. Review of non-compliance will be done within 30 days from due date of submission of corporate governance report for last quarter of the financial year. 2. Fine will be levied on annual basis for non-compliance with provisions pertaining to conducting Board meetings at least four times a year and on quarterly basis for the provisions pertaining to maximum time gap of one hundred and twenty days between any two meetings. |
| 8 | <u>Regulation 17(2A)</u> Non-compliance with the requirements pertaining to quorum of Board meetings | <ol style="list-style-type: none"> 1. Review will be done within 30 days of due date for submission of Corporate Governance Report. 2. Fraction shall be rounded off to the higher number while determining compliance. |
| 9 | <u>Regulation 18(1)</u> Non-compliance with the constitution of audit committee | <ol style="list-style-type: none"> 1. Review of non-compliance will be done within 30 days from due date of submission of Corporate Governance Report. 2. If company submits Corporate Governance Report within due date and observed as non compliant then fine will be levied for number of days of non-compliance during quarter. 3. If company fails to submit corporate governance report then fine will be levied for entire quarter under this regulation. Fine shall not be levied only if company submits corporate governance report ensuring compliance with this regulation before issue of review notice by the Exchange. 4. Fraction shall be rounded off to the higher number while determining compliance. |
| 10 | <u>Regulation 19(1)/ 19(2)</u> Non-compliance with the constitution of | <ol style="list-style-type: none"> 1. Review of identified non-compliance will be done within 30 days from due date of submission of Corporate Governance Report. |

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| | nomination and remuneration committee | <ol style="list-style-type: none"> 2. If company submits Corporate Governance Report within due date and observed as non compliant then fine will be levied for number of days of non-compliance during quarter. 3. If company fails to submit corporate governance report then fine will be levied for entire quarter under this regulation. Fine shall not be levied only if company submits corporate governance report ensuring compliance with this regulation before issue of review notice by the Exchange. 4. Fraction shall be rounded off to the higher number while determining compliance |

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| 11 | <u>Regulation 20(2)/(2A)</u> Non-compliance with the constitution of stakeholder relationship committee | <ol style="list-style-type: none"> 1. Review of non-compliance will be done within 30 days from due date of submission of Corporate Governance Report. 2. If company submits Corporate Governance Report within due date and observed as non-compliant then fine will be levied for number of days of non-compliance during quarter. 3. If company fails to submit corporate governance report then fine will be levied for entire quarter under this regulation. Fine shall not be levied only if company submits corporate governance report ensuring compliance with this regulation before issue of review notice by the Exchange. 4. Fraction shall be rounded off to the higher number while determining compliance. |
| 12 | <u>Regulation 21(2)</u> Non-compliance with the constitution of risk management committee | <ol style="list-style-type: none"> 1. Review of identified non-compliance will be done within 30 days from due date of submission of Corporate Governance Report. 2. If company submits Corporate Governance Report within due date and observed as non-compliant then fine will be levied for number of days of non-compliance during quarter. 3. If company fails to submit corporate governance report then fine will be levied for entire quarter under this regulation. Fine shall not be levied only if company submits corporate governance report ensuring compliance with this regulation before issue of review notice by the Exchange. 4. Fraction shall be rounded off to the higher number while determining compliance. |
| 13 | <u>Regulation 23(9)</u> Non-compliance with disclosure of related party transactions on consolidated basis | <ol style="list-style-type: none"> 1. Compliance for this regulation will be monitored half yearly w.e.f. April 1, 2020 and first review will be done based on submission for half year ending September 30, 2020. 2. Fine will be charged if company fails to submit disclosure of related party transaction within 30 days from publication of Financial Results for half year. |
| 14 | <u>Regulation 24A</u> Non-compliance with submission of secretarial compliance report | <ol style="list-style-type: none"> 1. Review will be done within 30 days from end of due date for submission of secretarial compliance report 2. Compliance for this regulation will be monitored annually (financial year end of the companies will be considered) 3. Fine will be levied for non submission of Secretarial Compliance Report within due date |
| 15 | <u>Regulation 27(2)</u> Non-submission of the Corporate governance | <ol style="list-style-type: none"> 1. Review of identified non-compliance will be done within 30 days from due date of submission of Corporate Governance Report |

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| | compliance report within the period provided under this regulation | 2. Fine will be levied for non-submission of Corporate Governance Report within due date |

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| 16 | <u>Regulation 28(1)</u> Non-compliance with obtaining in-principle approval of stock exchange(s) before issuance of securities | <ol style="list-style-type: none"> 1. Review of compliance under this regulation will be done on monthly basis 2. The Exchange will not provide final approval till applicable SOP fine is paid to all Exchanges wherever it is listed and identified as non compliant. |
| 17 | <u>Regulation 29(2)/29(3)</u> Delay in furnishing prior intimation about the meeting of the board of directors | <ol style="list-style-type: none"> 1. Exchange shall monitor compliance on monthly basis. 2. Fine will be levied for delay in furnishing prior intimation about the meetings of the board. |
| 18 | <u>Regulation 31</u> Non-submission of shareholding pattern within the period prescribed | <ol style="list-style-type: none"> 1. Review of identified non-compliance will be done within 30 days from due date of submission of Shareholding pattern Report 2. Fine will be levied for non-submission of Shareholding pattern within due date |
| 19 | <u>Regulation 31A(3)(a)</u> Non-compliance pertaining to delay in submission of reclassification application to stock exchanges | <ol style="list-style-type: none"> 1. Review notice for non-compliance will be issued as and when it is identified 2. Approval for reclassification will be granted only after payment of applicable SOP fine. |
| 20 | <u>Regulation 32(1)</u> Non-submission of deviations/ variations in utilization of issue proceeds | <ol style="list-style-type: none"> 1. Companies will be required to submit Statement of deviations/ variations as per Regulation 32 of SEBI (LODR) Regulations 2015 and applicable circular. |
| 21 | <u>Regulation 33</u> Non-submission of the financial results within the period prescribed under this regulation | <ol style="list-style-type: none"> 1. Review of identified non-compliance will be done within 30 days from due date of submission of financial results. 2. Fine will be levied for below mentioned cases - <ol style="list-style-type: none"> i. If the company submits unaudited results or results that are not reviewed by the auditor for quarter-end. ii. If the company submits unaudited annual financial results or financials with the limited review for year-end. iii. If any of the below-mentioned documents are not submitted: <ol style="list-style-type: none"> a)Statement of assets and liabilities b)Profit & Loss accounts and c) Cash flow (based on applicability) iv. In case the company has Subsidiary/Joint venture/Associate and does not submit consolidated results. v. If the Company does not submit the Limited Review Report or Audit Report, whichever is applicable for non submission of Financial Results within due date. |
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| | | vi. If the Company does not submit the Statement on Impact of Audit Qualifications (for audit report with modified opinion) |
| 22 | <u>Regulation 34</u> Non-submission of the Annual Report within the period prescribed under this regulation | 1. Fine will be levied for non-submission/delayed submission of Annual Report within due date |
| 23 | <u>Regulation 42(2)/42(3)/42(4)/42(5)</u> Delay in/ non-disclosure of record date/ dividend declaration or noncompliance with ensuring the prescribed time gap between two record dates/ book closure dates | 1. Fine will be levied for non-compliance with provisions mentioned under this circular 2. Review of identified non-compliance will be done on monthly basis. |
| 24 | <u>Regulation 43A</u> Non-disclosure of Dividend Distribution Policy in the Annual Report and on the websites of the entity | 1. For verification of disclosure on website companies will be required to provide web link along with Dividend Distribution Policy in Annual Report to Stock Exchanges. |
| 25 | <u>Regulation 44(3)</u> Non-submission of the voting results within the period provided under this regulation | 1. Fine will be levied for non-submission of voting results within due date for AGM, EGM, postal Ballot and court conveyed meeting. 2. Review of identified non-compliance will be done on monthly basis. |
| 26 | <u>Regulation 44(5)</u> Non-convening of annual general meeting within a period of five months from the close of financial year | 1. Compliance will be monitored yearly. |
| 27 | <u>Regulation 45(3)</u> Non-obtaining approval of stock exchange(s) before filing request for change of name with Registrar of Companies | 1. Review will be done on monthly basis. 2. The Exchange will not provide final approval till applicable SOP fine is paid. |
| 28 | <u>Regulation 46</u> Non-compliance with norms pertaining to functional website | As per circular. |

*All Listed entities are advised to ensure compliance with SEBI (LODR), 2015 and amendments thereof.

C. Points to be noted:

1. As per para 9 of said circular, the present circular is in supersession of the circular dated May 3, 2018. Further as per SEBI circular dated March 26, 2020 ref no. SEBI/HO/CFD/CMD1/CIR/P/2020/48 the circular dated January 22, 2020 shall come into force with effect from compliance periods ending on or after June 30, 2020. Therefore, June 30, 2020 is the 1st quarter for monitoring of non-compliant companies as per provisions of circular dated January 22, 2020.
2. Since the new circular is effective for compliance period ending on after June 30, 2020, the companies which are non-compliant prior to this period and continue to be non-compliant post June 30, 2020 shall trigger fines and subsequent actions as per SEBI SOP circular dated January 22, 2020.
3. Fines would be imposed even during suspension period for non-compliance of regulation 13(1).
4. For the purpose of computation of fine, date of submission (as per respective regulation of LODR) would also be included.
5. As per point no. 2 of said circular, the present circular in supersession of the said circulars dated May 03, 2018. Therefore, June 30, 2020 will be 1st quarter for monitoring of non-compliant companies under SEBI Circular dated January 22, 2020. For deriving consecutive noncompliance for the first time under the SEBI circular January 22, 2020, March 31, 2020 quarter will be considered as first instance of non-compliance.
6. Since the new circular is effective for compliance period ending on or after June 30, 2020, the companies which are non-compliant prior to this period and continue to be non-compliant post March 31, 2020 shall trigger fines and subsequent actions as per SEBI circular dated January 22, 2020
7. The review for the submission status of Annual Report (Regulation 34) for the period ended March 2020, will be done as per provisions of SEBI circular dated January 22, 2020.
8. For submission and levy of fine, if the last day of submission and/or next day of submission for levying fine on the non-compliant Company is on a holiday (including Saturday) then the next working day shall be considered as the last day of submission and start of levying of fine. The same would be applicable at the time of review, day of transfer to Z group, issuing reminder to promoters before freezing, giving intimation for freezing of promoter holding and suspension date. (*Non-working day benefit*).
9. Freezing of promoter holdings will be done based on the PAN provided by companies while filing latest Shareholding Pattern Report. Exchanges will do freezing of promoter holding wherever the bifurcation of promoter and promoter group is available (Exchanges made it mandatory to disclose category of promoter or promoter group from June 2020 quarter) else freezing of entire promoter and promoter group will be done as per latest available information.

10. Action of freezing will not be kept on hold if company is applying for waiver second time after rejection of first waiver application by Exchange.
11. Unfreezing will be done once company complies and pays fine for all regulations for which freezing is triggered/already done.
12. If company is not compliant for both quarters then name of the company will be included in notice for movement to Z / suspension. If company complies with both quarters on or before cut-off date, then action for movement to Z/ suspension will be withdrawn.
13. The trading in securities of the company will be moved out of Z Category as and when company complies with observed consecutive quarters.
14. The Exchanges would continue to apply the jointly decided policy for exemption of fines in relation to waiver of fines which was duly taken on record by SEBI. The companies are requested to refer policy for exemption of fines published on Exchange website.
15. Compulsory delisting process shall be initiated within 6 months from the actual date of suspension, and not from 6 months from the date of completion of weekly trading facility which is given for six months after the date of actual date of suspension.
16. In case company applies for revocation of suspension, then company is required to provide all documents as per Exchange requirement along with pending Exchange dues within a month from date of filling application. In case company fails to complete the process with a month then process for delisting of securities of such company will be initiated.

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