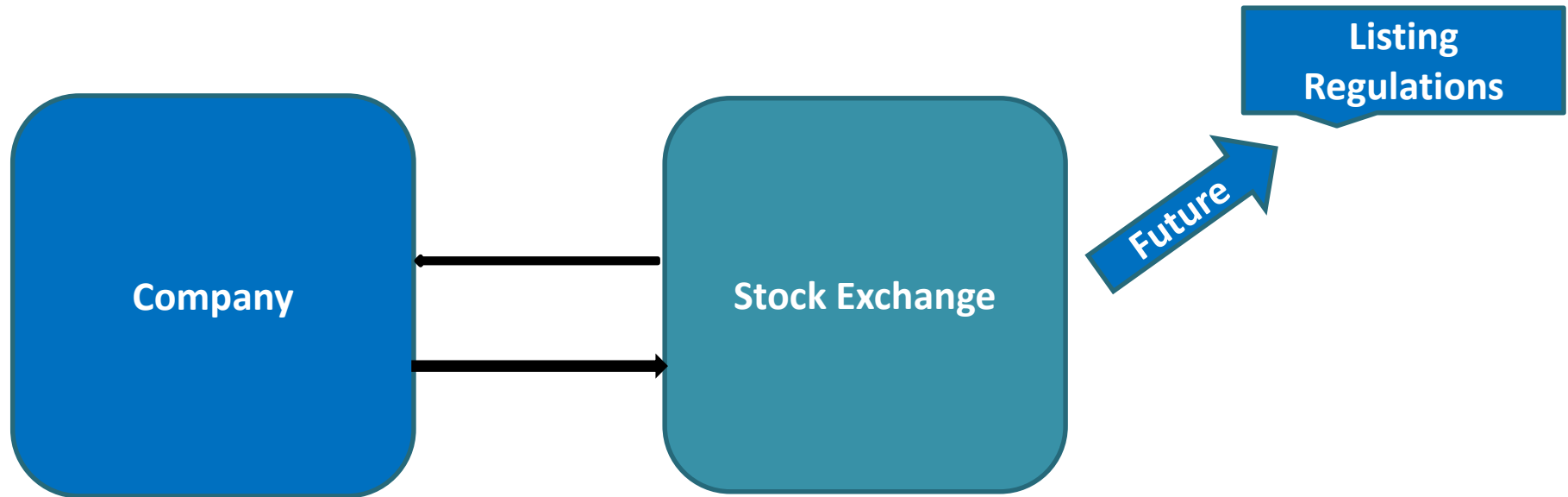


**Investor Protection and  
Disclosure Measures  
through the Exchange  
Eco system for the  
Securities Market**



# The Listing Agreement



Listing agreement is executed between the Company and the Stock Exchange.

## Monitoring Adequacy of Listing Agreement

Current Listing Agreement comprises of 55 Clauses.

- Disclosures – material and financial
- Corporate governance
- Setting of corporate actions
- Maintenance of website
- Investor related matters like transfer / transmission of shares
- Appointment, removal or resignation of KMPs; change in directorate
- Process for name change
- Issue of further capital

## Monitoring Adequacy of Listing Agreement...contd.

### Financials

- Clause 31 – Annual Report with Form A / Form B
- Clause 41 – Quarterly Financial Results

### Disclosures

- Clause 35 – Shareholding Pattern of the Promoters
- Clause 36 – Dealing with material events, litigation and new agreements

### Corporate Actions

- Clause 15 – Details about Fixing of Book Closure dates
- Clauses 16 – Details about Fixing of Record Date

## Monitoring Adequacy of Listing Agreement...contd.

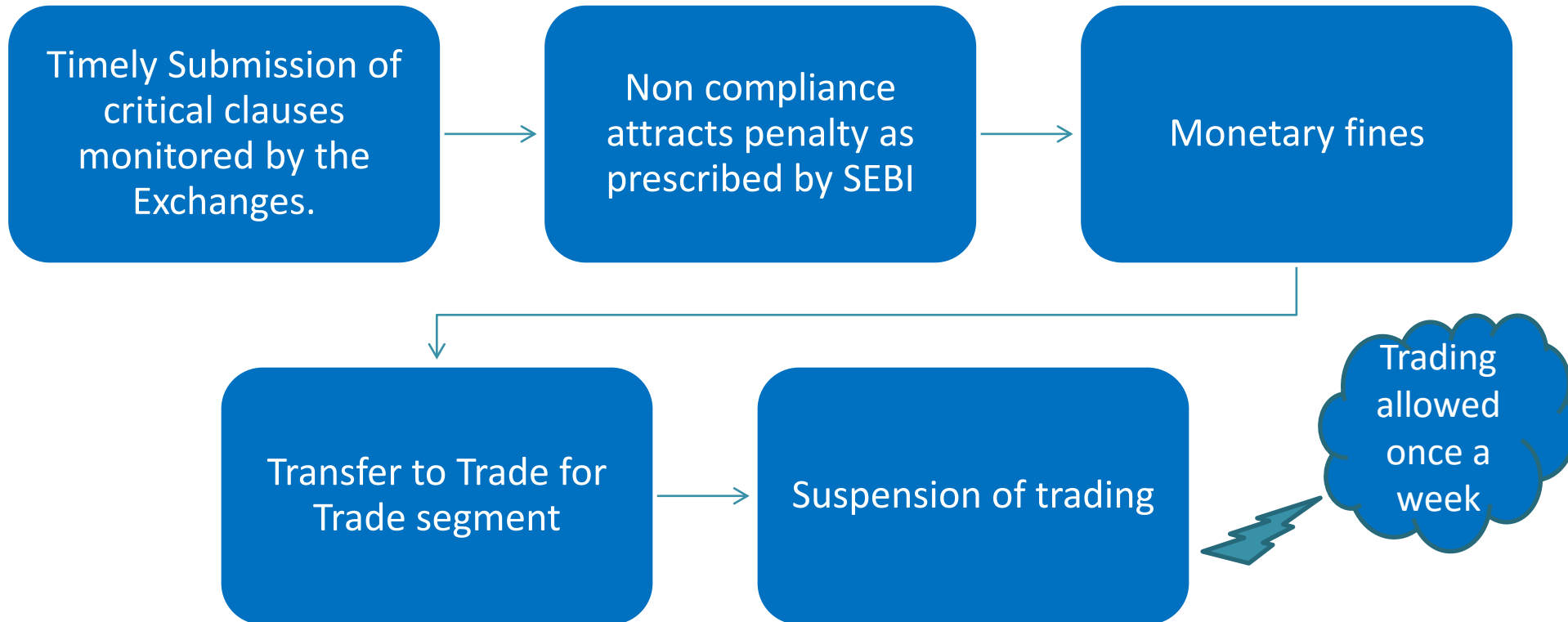
### Corporate Governance

- Clause 49 – Composition of Board, Report on Corporate Governance, Details about Audit Committee

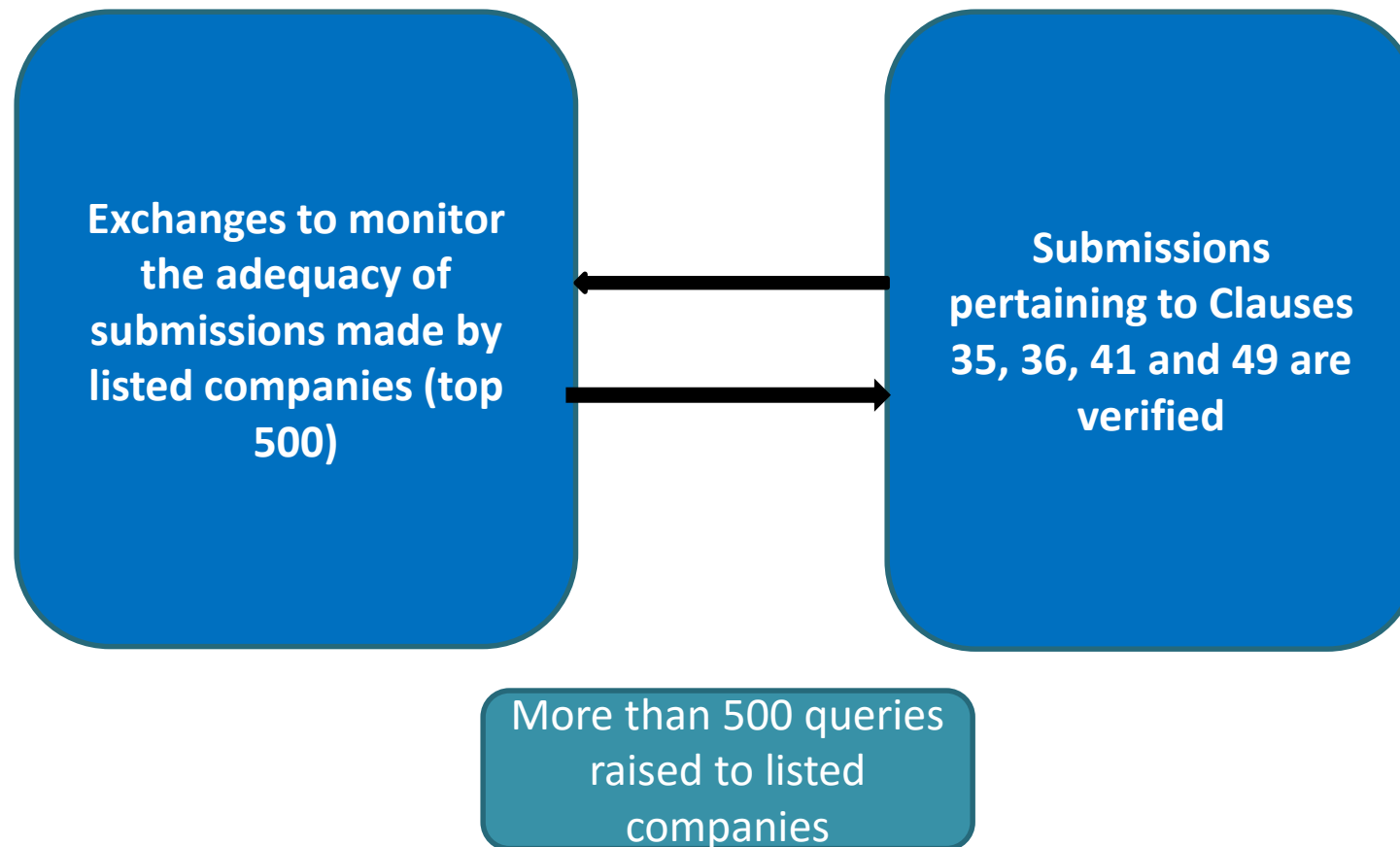
### Information for Investors

- Clause 47 A – Appointment of a Company Secretary
- Clause 47 B – Appointment of Registrar and Transfer Agents
- Clause 54 – A functional website with basic information of the company

# Standard Operating Procedure for Suspension and Revocation (SOP) prescribed by SEBI



## Monitoring Adequacy of Disclosures



## Disclosure of Price Sensitive Information

Listed companies should immediately inform the Exchange of all material events

The indicative list of 'material' events is provided in the Listing Agreement.

Guidance Note issued by the Exchange - to assist and guide companies while making continuous disclosures

Queries raised to listed entities and replies received thereon are disseminated on the Exchange website




## Case Study 1

Company gives prior intimation of a Board meeting, where a regulatory report with respect to the company is to be considered.

- Company submits the outcome of the Board Meeting in as mandated in the Listing Agreement.
- The outcome consists of only one sentence.

Should further clarifications be sought looking to the brevity of the disclosure, for the benefit of the investors ?



YES. As the investors or stakeholders need to be informed about the Board's stand / clarifications vis-à-vis the regulatory findings.

## Case Study 2

Complaint received against company alleging that it has not disclosed a regulatory action impacting its financials

Company replies that it has appealed against the said action and the outcome of the litigation is awaited

Should the company for the benefit of the investors provide a brief summary of the ongoing litigation as the outcome would substantially impact its financials?

YES. Even if the outcome of the litigation is not yet known, shareholders should at least be made aware of the event and be provided regular updates.

## Shareholding Pattern

All listed companies – required to submit the shareholding pattern (SHP) on a quarterly basis

Timeline mandated by SEBI - within 21 days from the end of the quarter

Shareholding pattern includes - Promoter holding , public holding, names of the promoters, public shareholders holding more than 1% and 5%

## Case Study

The company submitted SHPs for quarters ending December , 2014 and March, 2015 on time



- No fines levied as submission on time.
- However, comparison shows entity XYZ listed as promotor with 10% holding in December 2014 but not shown as promotor in shareholding pattern for March, 2015

Should this be scrutinized in terms of circular relating to Monitoring the Adequacy of Disclosures?



- YES.
- Clarifications sought from the company as :
- There was no corresponding disclosure made under SEBI (SAST) Regulations, regarding sale of 10% holding.
  - The company subsequently filed the relevant disclosures.

Tenure of Independent Directors

Composition of Board – Non Appointment of Woman Director

Fine Levied on Non-Appointment of Woman Director: No. of entities – 54, Fine levied Rs. 271 lakhs

## Case Study 1

Company ABC has group companies listed at the Exchange

The Annual General Meetings of all the group companies are scheduled on the same day at the same venue with a minimum time assigned for each meeting.

Would the aforesaid trigger a query from the regulators?

YES. Confirmation from companies sought on how the company had ensured that shareholders would be able to discuss and raise concerns during allotted time.



## Case Study 2

Company XYZ has initiated the process of appointment of Independent Directors. However, regulatory clearances for the same are required.



Till such time, the composition of the Board is not compliant as per the provisions specified in the Listing Agreement.

The company, therefore, is unable to approve its financial results leading to a delay in submission. Would this result in penal action ....levy of fines?



No Fines to be levied for late submission since:

- Company has initiated the process
- Company has made suitable disclosure for appointment in CG Report
- Regulatory clearances awaited which are beyond the control of the company.

### Annual Report

- Companies have to submit Annual Reports along with Form A (Unqualified Auditors Report / Matter of Emphasis) or Form B (Qualified Auditors Report)
- These reports are scrutinized by the Qualified Audit Review Committee set up by SEBI
- As per the instructions provided by the Committee, companies are advised to rectify the qualifications or restate accounts
- 205 Form B cases have been scrutinized and forwarded to QARC
- 34 companies have been advised to restate accounts by QARC



SEBI ACT

SCRA

SCRR

Regulations/circulars  
issued by SEBI

Client – Broker  
Relationship

SEBI Broker and Sub Broker  
Regulations

Code of Conduct

R.B.R of the Exchange and  
circulars issued thereof

## Evolution Of Governing Document from contractual to regulatory

Model  
Agreement

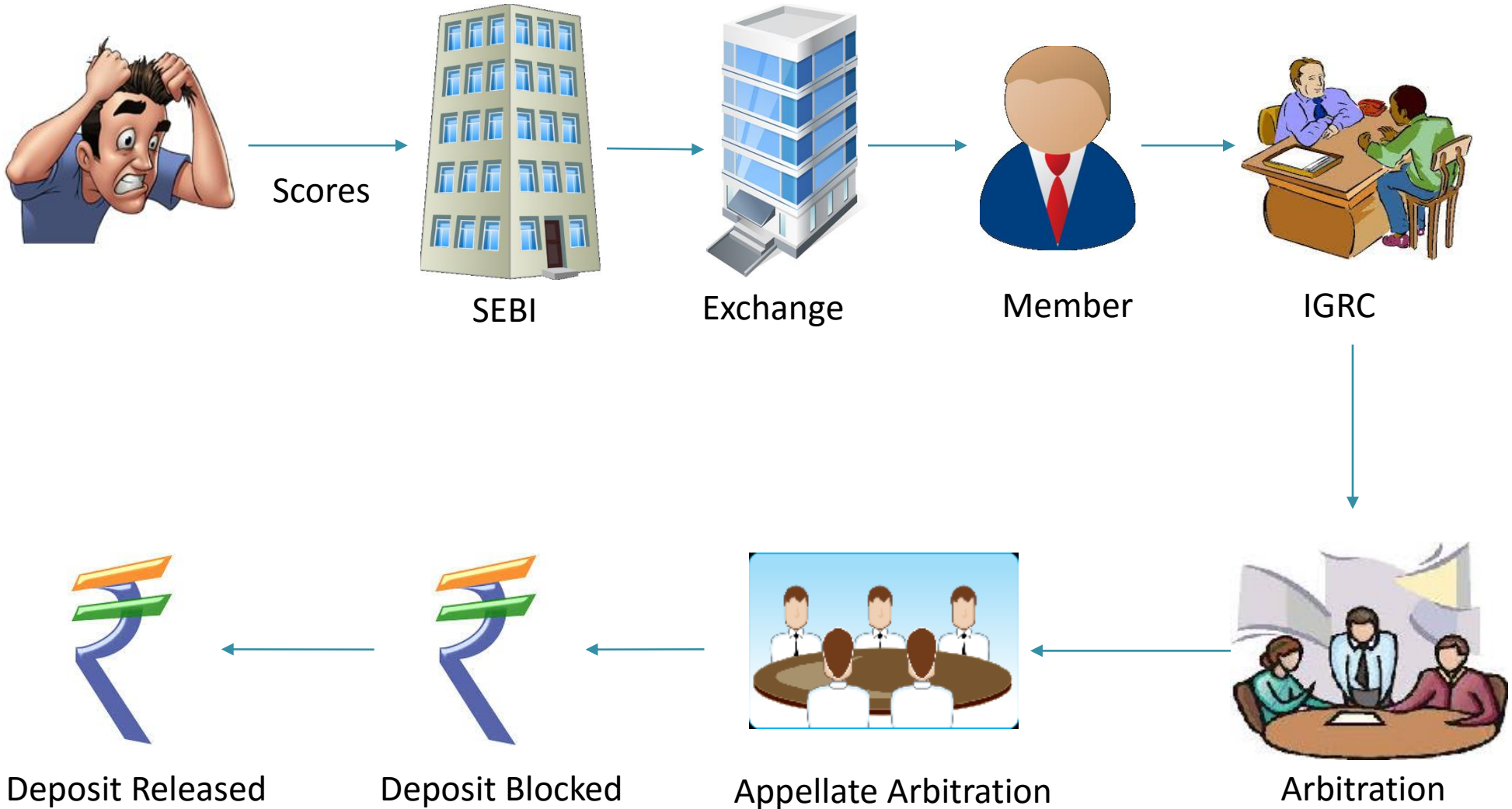
Circulars By SEBI/  
R.B.R of  
Exchange

Non - Execution Of Agreement  
Standardized Rights And  
Obligations  
Simplification of process

## Objectives viz framework for client



# Redressal of grievances of client against Members

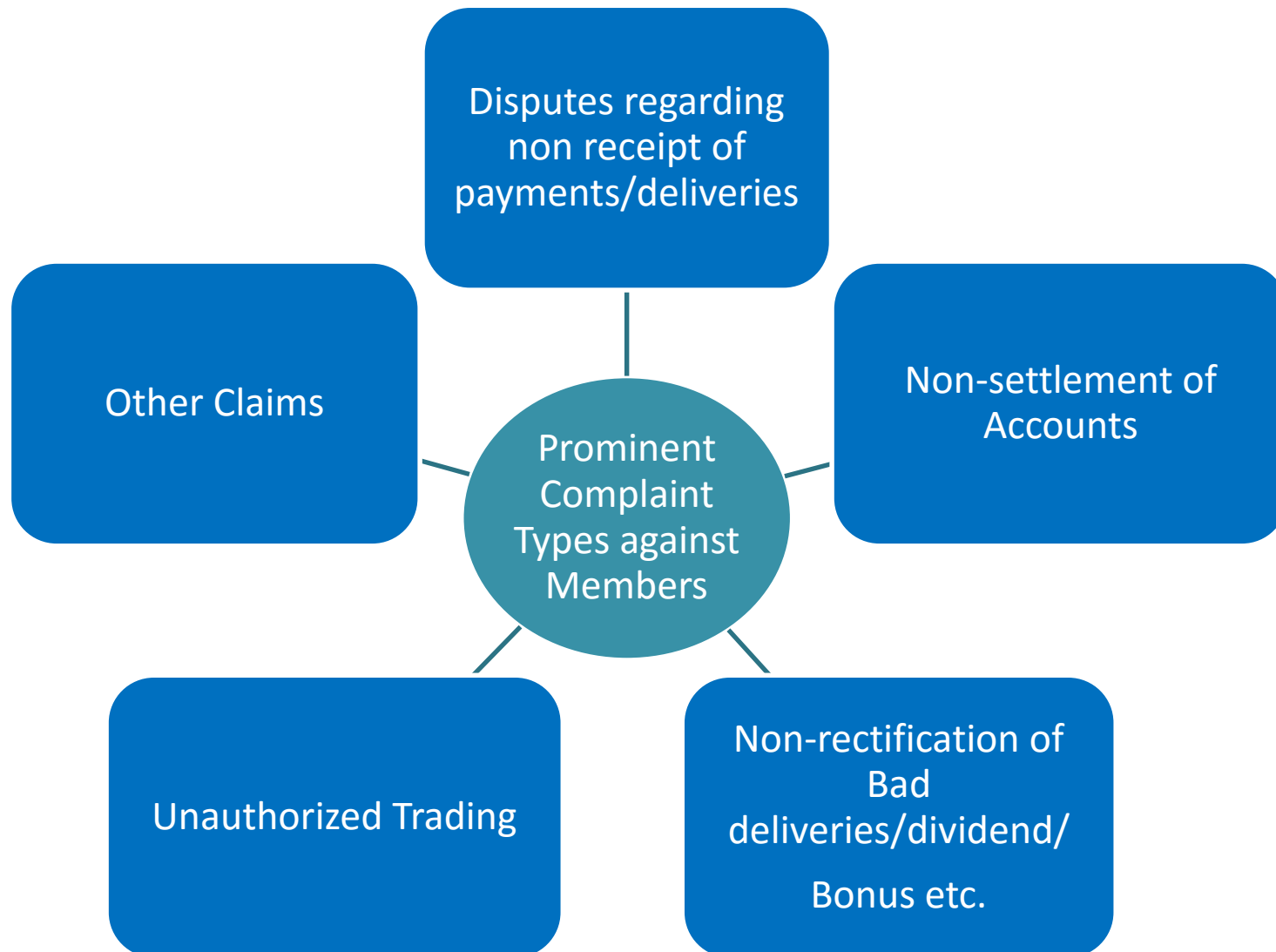


## Redressal Of Grievances Of Client...contd.

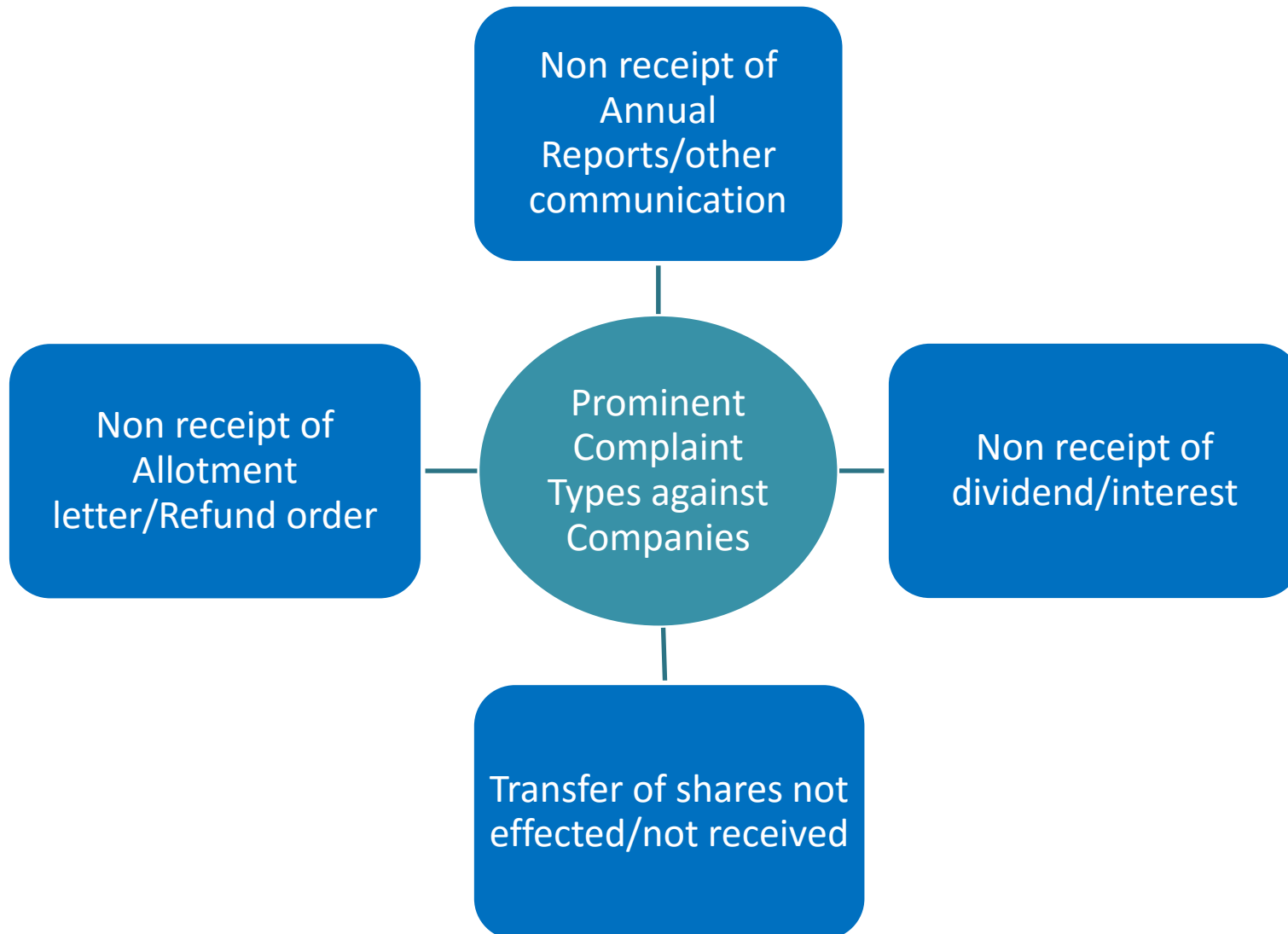
Registration and processing of complaints against trading members

Registration and processing of complaints against listed companies

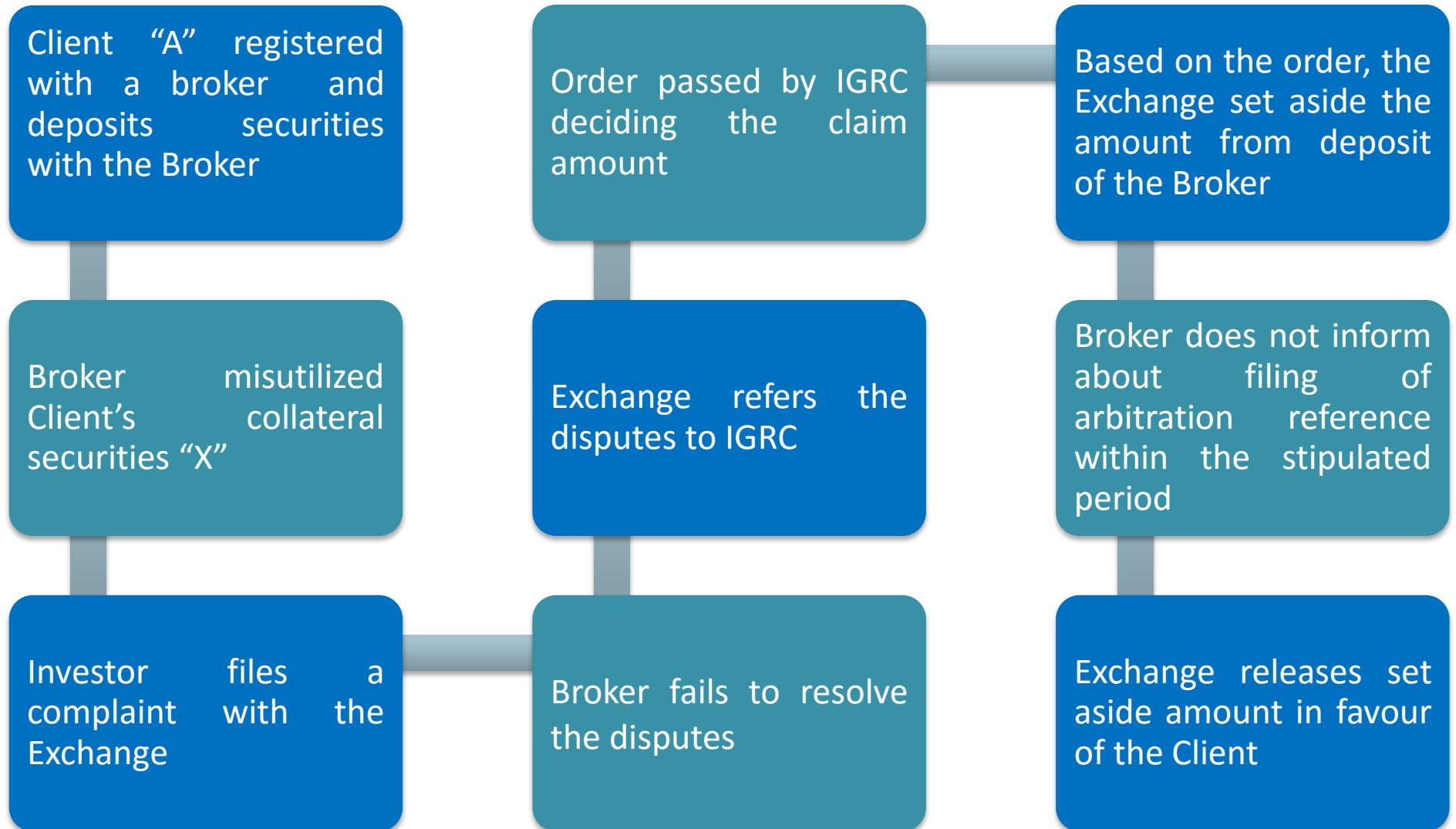
Processing of Arbitration cases



## Redressal Of Grievances Of Client...contd.

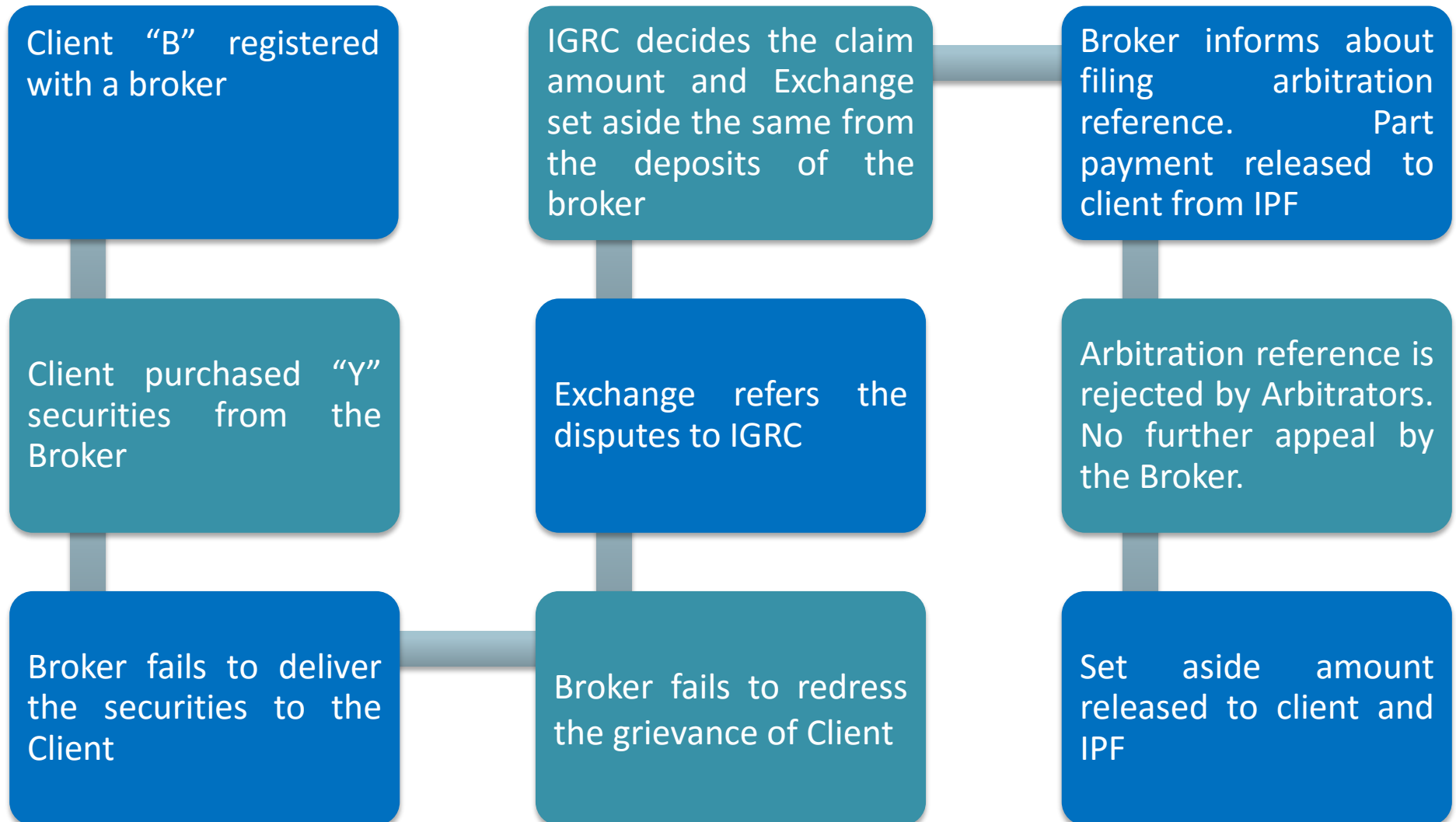


## Case Study 1: Conciliation Process

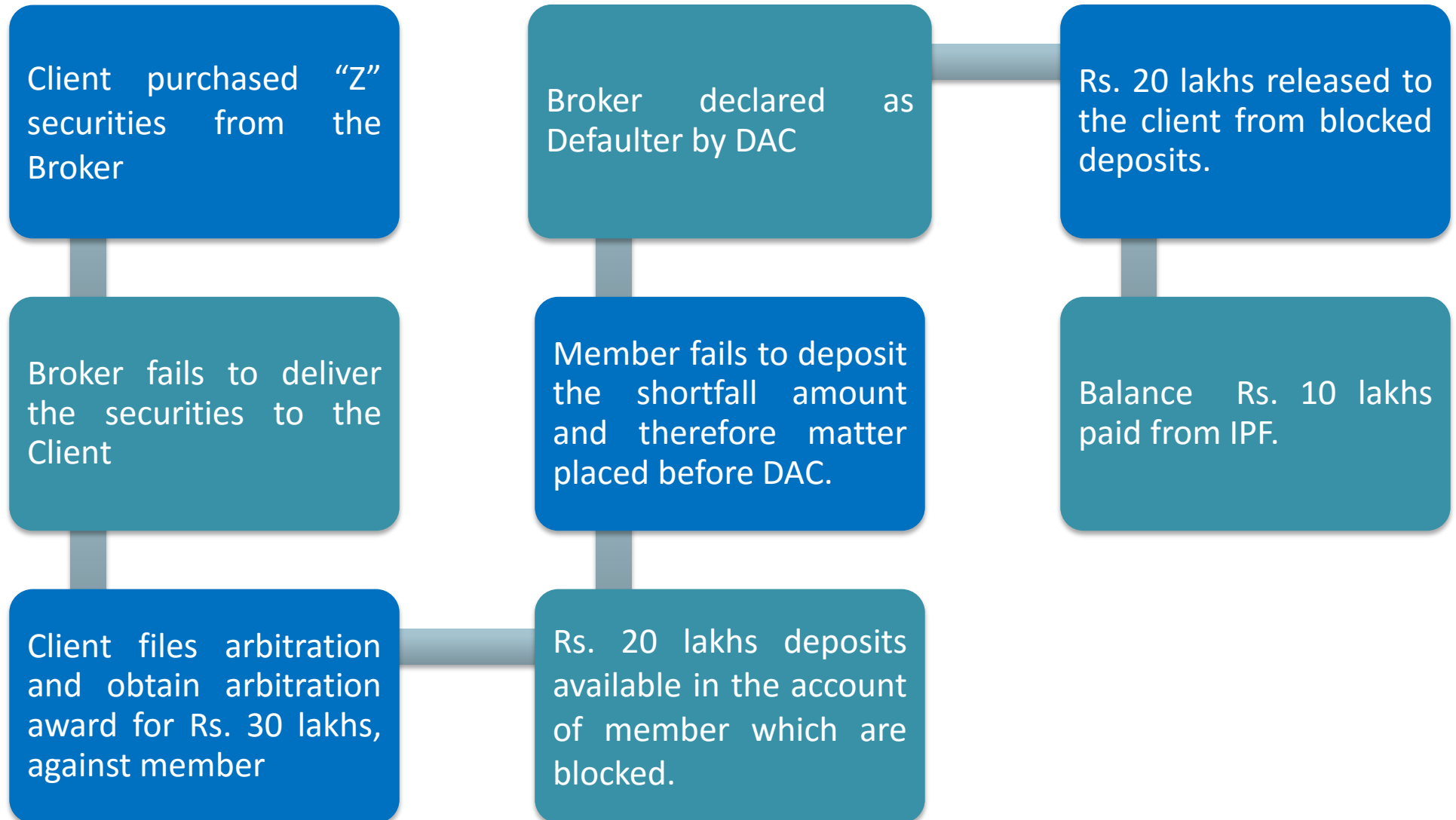




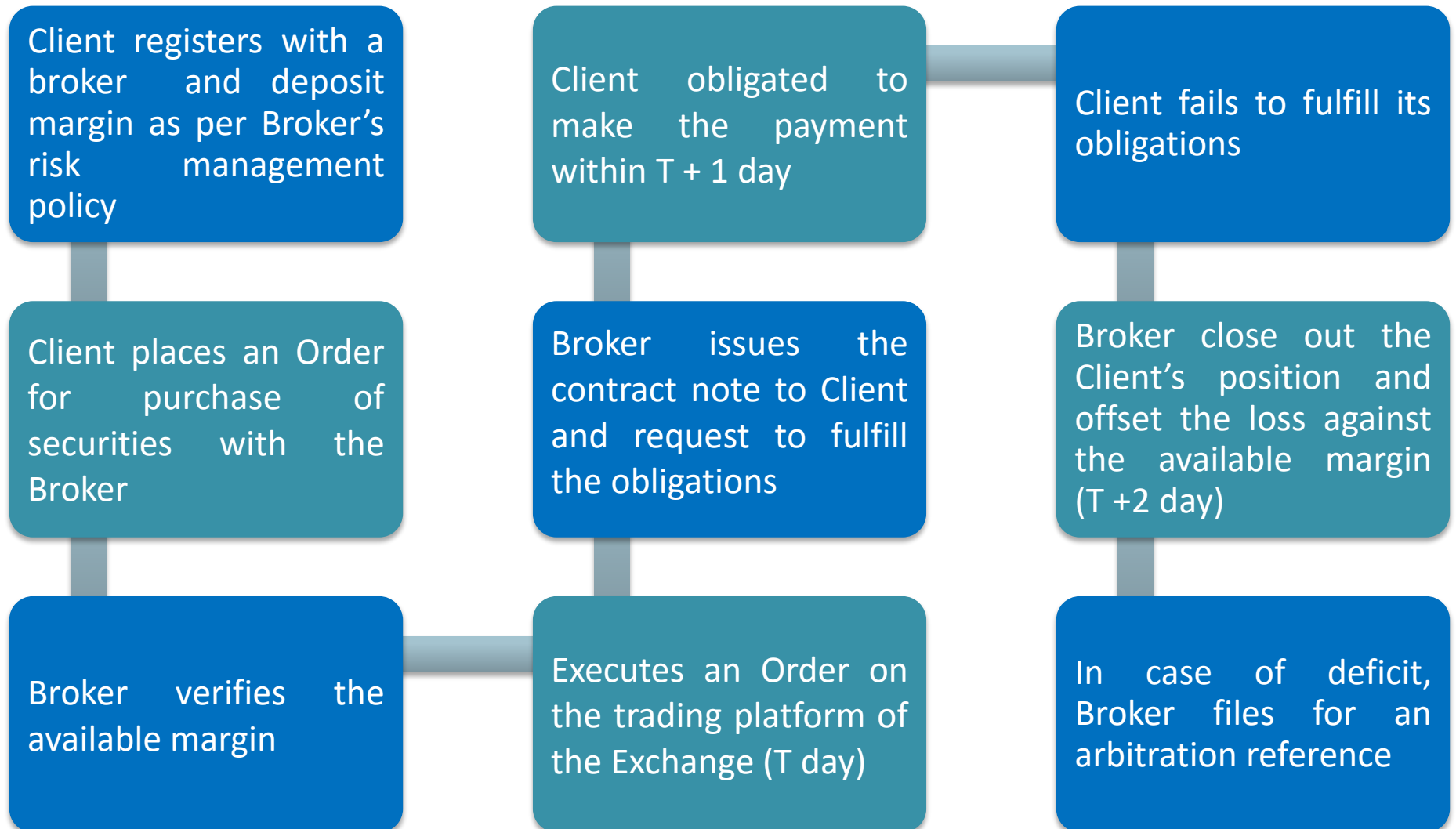
## Case Study 2: Arbitration Process



# Case Study 3: Arbitration Process and Declaration as a Defaulter



## Case Study 4: Default by a Investor



## Steps taken by Exchange for Investor Protection

SMS, emails sent to clients for trades on a daily basis

All filing all done online and information disseminated on website in real-time

Queries raised by Exchange on critical clauses

Imposing fine for non submission

Cost effective process for arbitration and appellate arbitration for all complaints

Compensation from IPF upto Rs. 15 lakhs against defaulter member



**Thank You**