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# Industry Standards for SEBI Rumour Verification Requirement

## INTRODUCTION

Amendments to the LODR last year, by way of SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023 (2023 Amendment) (discussed [here](#) and [here](#)) to the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) 2015 (LODR) marked a paradigm shift in the disclosure requirements for listed entities. Pursuant to the adoption of this highly contested amendment, Regulation 30(11) of the LODR included the first proviso expanding and crystalizing the obligation of certain listed entities (i.e., the top 100 or the top 250 listed entities from 1 June 2024 and 1 December 2024, respectively) to respond to market rumours. Regulation 30(11) of the LODR was amended recently pursuant to the [Securities And Exchange Board Of India \(Listing Obligations And Disclosure Requirements\) \(Amendment\) Regulations, 2024](#),<sup>1</sup> and now reads as follows:

*"(11) The listed entity may on its initiative also, confirm or deny any reported event or information to stock exchange(s)*

*Provided that the top 100 listed entities and thereafter the top 250 listed entities with effect from the date specified by the Board, shall confirm, deny or clarify upon the material price movement as may be specified by the stock exchanges any reported event or information in the mainstream media which is not general in nature and which indicates that rumour of an impending specific event or information is circulating amongst the investing public, as soon as reasonably possible but in any case not later than twenty four hours from the reporting of the event or information:*

*Provided further that if the listed entity confirms the reported event or information, it shall also provide the current stage of such event or information:*

*Provided further that when the listed entity confirms within twenty four hours from the trigger of material price movement, any reported event or information on which pricing norms provided under Chapter V or Chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 or pricing norms provided under Regulation 8 or Regulation 9 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or pricing norms provided under Regulation 19 or Regulation 22B of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 or any other pricing norms specified by the Board or the stock exchanges are applicable, then the effect on the price of the equity shares of the listed entity due to the material price movement and confirmation of the reported event or information may be excluded for calculation of the price for that transaction as per the framework as may be specified by the Board."*

## MARKET RUMOUR VERIFICATION REQUIREMENT

The introduction of the market rumour verification requirement (RVR) was met with reluctance and sceptical criticism from the market for several reasons. *First*, the proviso was rather broad in view of the volume of media channels and streams of information which could potentially trigger the requirement of a confirmation, denial, or clarification, making it operationally impractical. *Second*, the proviso includes thresholds like 'mainstream media', 'not general' and 'material event' without sufficient guidance on the meaning and scope of such terms, which creates ambiguity around the disclosure requirements. *Lastly*, in case of market rumour pertaining to an on-going transaction, the requirement would have direct and pressing implications on share price of the entity and in turn the

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<sup>1</sup> Our detailed analysis of the latest amendment to LODR is available [here](#).

continued commercial viability of such transaction.

In a bid to address the above complexities, Industry Standards Forum,<sup>2</sup> a collaboration of ASSOCHAM, CII and FICCI, has rolled out the [‘Industry Standard Note on the Rumour Verification Requirement’](#) (ISF Note) which has been [recognised and adopted by the SEBI](#) as binding guidelines for listed entities in dealing with rumour verification. This note aims to outline the guidelines under the ISF Note as well as the allied amendments to various legislations, [specifically on the points relating to the listed entities involved in an ongoing M&A transaction.](#)

### I. Clarification on Ambiguity in RVR

One of the primary setbacks in the RVR was the lack of guidance on certain key trigger terms (such as mainstream media, etc), which resulted in general ambiguity and made timely compliance (within 24 hours) with the rumour verification requirement extremely difficult. In this context, the ISF Note, sets out the following clarifications on what would trigger the RVR:

#### a. ‘Mainstream media’:

In view of the barrage of information exchange in the digital age, the ISF Note specifically identifies sources of information (namely, prominent Indian Newspapers, Digital Sources, International Media, and News Channels) which are reliable and relevant to the market players. Further the ISF Note specifically excludes social media (barring the social media handles of the identified sources of information) in view of the volume and process involved in generation and exchange of information in social media. Thus, the ISF Note allows the regulated entities to maintain internal systems to generate a list of sources they could keep track of for prompt compliance with the RVR.

#### b. Interpretation of ‘Not in general nature’:

The ISF Note lays down a two-prong test

for determining whether the information is ‘specific’ so as to trigger the RVR – *firstly*, it must provide specifically identifiable details of the event; or *secondly*, it must quote a reliable source which can reasonably be expected to have the knowledge of such event. Also, non-applicability of Regulation 30(11) of the LODR is laid down in the ISF Note for the market rumours that are vague or general in nature. Further, it provides specific illustrations to clarify that not all speculative information exchanges on the identified platforms would constitute a trigger for the RVR. For instance, see below the illustration for acquisition and merger.

S N o	Nature of Event	Example of rumour providing ‘specifically identifiable details’	Example of rumour not providing ‘specifically identifiable details’
1.	Acquisition of an asset	Company X is evaluating a potential acquisition of ABC manufacturing facility	Company X is proposing to acquire an asset
2.	Acquisition of a stake in another company	Company X is currently in talks to acquire a stake in Company Y	Company X is currently in talks to undertake a potential acquisition [OR] Company C is in talks for undertaking various acquisitions in the current financial year.
3.	Merger	Company X is in talks for a potential merger with another FMCG company	Company X is in talks for a potential restructuring

#### c. ‘Material’:

To further streamline the RVR, the ISF

<sup>2</sup> Haigreve Khaitan, Partner Khaitan & Co is a member of the ISF. Members of Khaitan & Co extensively participated in interactions of ISF.

Note clarifies that the RVR would kick in only if the market rumour causes a material price movement. This clarification ties in with the legislative aim as set out in the SEBI board note dated 17 April 2023 since the motivation to introduce the RVR was to protect shareholders and other market players from effects of material price movements caused by market rumours.

The stock exchanges have intimated the guidelines for determining 'material price movement' as follows:

**A. In case of 'positive' rumour verification:**

Price range of the listed equity shares	Percentage variation in share price which shall be treated as material price movement		
	Benchmark index movement is less than 1% at 9.30 am	Benchmark index movement is greater than or equal to 1% at 9.30 am	Intraday price movement (i.e. after 9.30 am)
INR 0 to 99.99	Greater than or equal to 5%	Greater than or equal to (5% + % change in benchmark index at 9:30 am) or band hit	Greater than or equal to 5%
INR 100 to 199.99	Greater than or equal to 4%	Greater than or equal to (4% + % change in benchmark index at 9:30 am) or band hit	Greater than or equal to 4%
INR 200 and above	Greater than or equal to 3%	Greater than or equal to (3% + % change in benchmark index at 9:30 am) or band hit	Greater than or equal to 3%

**B. In case of 'negative' rumour verification:**

Price range of the listed equity shares	Percentage variation in share price which shall be treated as material price movement		
	Benchmark index movement is less than or equal to -1% at 9.30 am	Benchmark index movement is greater than -1% at 9.30 am	Intraday price movement (i.e. after 9.30 am)
INR 0 to 99.99	Less than or equal to (-5% - % change in benchmark index at 9:30 am) or band hit	Less than or equal to -5%	Less than or equal to -5%
INR 100 to 199.99	Less than or equal to (-4% - % change in benchmark index at 9:30 am) or band hit	Less than or equal to -4%	Less than or equal to -4%
INR 200 and above	Less than or equal to (-3% - % change in benchmark index at 9:30 am) or band hit	Less than or equal to -3%	Less than or equal to -3%

**II. Consideration of Stage of Transaction**

In addition to clarifying ambiguities in the law, the ISF Note lays emphasis on considering the stage of the transaction (at the time of such information being circulated) - primarily in view of the potential implications of any response by the concerned listed entity on the ongoing transaction. *First*, the ISF Note clarifies that if the rumour comes about between the issuance of prior intimation of board meeting under Regulation 29(1) of the LODR and the conclusion of the board meeting, the event would be exempted from the RVR. *Second*, the ISF Note bifurcates the RVR between the market rumour being circulated at the preparatory or advanced stages of the transaction and provides illustrations to

dilute the obligation to the extent of confirming publicly available information and indication of the mere existence of the ongoing transaction (as opposed to requiring disclosure of sensitive details of the same).

In view of the notification of the ISF Note, SEBI has taken care to provide price protection on confirmation of market rumour. Accordingly, it has rolled out amendments to the: (a) SEBI (Prohibitions of Insider Trading) Regulations 2015; (b) SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018; (c) SEBI (Substantial Acquisition of Shares and Takeover) Regulations 2011; and (d) SEBI (Buyback of Securities) Regulations, in order to exclude the impact market price due to Rumour Verification by considering the 'unaffected price' for meeting pricing requirements under various SEBI Regulations. The framework for arriving at the 'unaffected price' attributes the variation in weighted average price from the date of the material price movement until the close of trading on

the day immediately after the rumour verification, to the rumour / its verification.

In conclusion, the adoption of this ISF Note (along with the allied amendments) is a welcome adoption by SEBI as it addresses the difficulties in compliance with the letter of the law, and consequently streamlining and cementing the RVR into a more identifiable and amenable compliance requirement under the LODR. Finally, it also dovetails the compliance requirements pertaining to rumour verification with the risks entailing the disclosure of ongoing transactions through price protection.

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