



**KHAITAN
& CO** ADVOCATES
SINCE 1911



22 May 2024

LODR Amendment 2024: Industry-Cognizant Approach to Disclosure and Governance

INTRODUCTION

The Securities and Exchange Board of India (SEBI) recently amended the [SEBI \(Listing Obligations and Disclosure Requirements\) Regulations, 2015](#) (LODR) by way of SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024 (LODR Amendment) dated 17 May 2024.

Post major 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](#)), in order to facilitate capital formation and ease of doing business, at the behest of SEBI, 3 industry associations, namely, ASSOCHAM, CII and FICCI, came together to form Industry Standards Forum¹ (ISF) under the aegis of the stock exchanges to set industry standards. Further, considering the Finance Minister's pledge to "simplify, ease and reduce the cost of compliance" in the Union Budget for the financial year 2023-24, SEBI constituted an 'expert committee for facilitating ease of doing business and harmonization of the provisions of the ICDR and LODR Regulations' (Expert Committee).

The latest LODR Amendment has its foundations in the [consultation paper on 'Interim Recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of ICDR and LODR Regulations'](#) dated 11 January 2024 (EODB Consultation Paper) as well as [consultation paper on 'Amendments to SEBI Regulations with respect to Verification of Market Rumours'](#) dated 28 December 2023 (RVR Consultation Paper) based on inputs from ISF.

The LODR Amendment is effective immediately from the date of publication (i.e., 17 May 2024), with an exception for some amendments that come into force from 31 December 2024.

The key changes brought about by the LODR Amendment can be placed in three broad categories: (a) amendments pertaining to market rumour verification; (b) amendments pertaining to market capitalisation computation; and (c) other governance and disclosure based amendments. The same have been detailed below.

A. AMENDMENT PERTAINING TO MARKET RUMOUR VERIFICATION REQUIREMENT

1. Clarifications on market rumour verification requirement:

The market rumour verification requirement (RVR) was brought by way of amendment last year. Based on representations from the industry, SEBI had deferred its implementation to 1 June 2024 for the top 100 listed entities and to 1 December 2024 for the listed entities ranked between 101 and 250. RVR in its pre-LODR Amendment avatar, mandated the listed entities to: (a) on its own, identify market rumour pertaining to it, which are not in general nature, and reported in the mainstream media; and (b) confirm, deny, or clarify the content of such rumour.

The key concerns with erstwhile RVR provision were threefold: (a) impact on price post confirmation of RVR which could impact deal dynamics, wherever the market price is used to calculate floor price, such as preferential allotment and open offer, etc.; (b) from deal-making perspective, lack of clarity on stage at which rumour with respect to transaction needs to be verified; and (c) very broad definition of mainstream media, which purportedly included 20,278 registered dailies and 543 tri/bi-weeklies in 2021-22,² and reportedly, more than 390 news channels permitted by Ministry of Information and Broadcasting.

ISF took up the rumour verification requirement as one of the pilot projects

¹ Haigreve Khaitan, Partner Khaitan & Co, is member of the ISF. Members of Khaitan & Co engaged and participated in the activities and discussions at ISF.

² Press in India 2021-22 published by the Office of Registrar of Newspapers for India

for formulating standards for effective implementation of the said requirement, in consultation with SEBI. The LODR Amendment echoes India Inc representation through ISF on the need to ringfence RVR by limiting the scope thereof.

To address the first two concerns, the LODR Amendment linked RVR with material price movement (MPM), which would be [specified by the stock exchanges](#). Further, the LODR Amendment provided that the method of calculation of unaffected price shall be as per the framework specified by SEBI. SEBI's [circular titled 'Framework for considering unaffected price for transactions upon confirmation of market rumour'](#) dated 21 May 2024 (SEBI Framework Circular) has set out this framework. Unaffected price shall be considered for transactions on which pricing norms specified by SEBI or stock exchanges³ are applicable, provided that the rumour pertaining to such transaction has been confirmed within 24 hours from trigger of material price movement. The LODR Amendment clarifies that unaffected price shall be considered by excluding the effect on the price of the equity shares of the listed entity due to the material price movement and confirmation of the rumour.

['Industry standards note on verification of market rumours under Regulation 30\(11\) of LODR Regulations'](#) (ISF Note), published on the websites of ASSOCHAM, CII and FICCI as well as stock exchanges has been mandated by SEBI in its [circular titled 'Industry Standards on verification of market rumours'](#) dated 21 May 2024 (ISF Note Circular).

The ISF Note *inter alia* addresses the third concern by clarifying the scope and ambit of 'mainstream media' is as follows along with comprehensive list of illustrations:

(a) Domestic media:

- a. General newspapers:
 - i. Top 20 English national dailies having circulation of 1,00,000 or more (RNI Circulation);
 - ii. Top 2 regional dailies having highest circulation for each of the 22 official languages of India having RNI Circulation; and
 - iii. Identified business / financial news dailies.
- b. Digital / online news source: Digital versions of the aforesaid Indian newspapers and identified business / financial news sources.
- c. News Channel: Selected English news channel as well as other business news channel covering business / corporate / financial / economic views and displaying stock / security prices during market hours, which are registered with Ministry of Information and Broadcasting.

(b) International media:

- a. Specified media: Top 5 English business / financial news daily by circulation in top 5 jurisdictions from which foreign portfolio investors have invested in India, being United States of America, Singapore, Mauritius, Luxemburg⁴ and United Kingdom; and
- b. Listed entity specific media: English business / financial news sources from such jurisdictions where the listed entity has material business operations are required. Listed

³ Pricing norms provided under / specified by: (a) preferential issue or qualified institutional placement under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR); (b) open offer price under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST); (c) buyback of securities under SEBI (Buy-Back of

Securities) Regulations, 2018 (Buyback Regulations); or (d) SEBI or stock exchanges, shall be excluded from the calculation of the material price movement.

⁴ ISF Note specifies that there are no business / financial newspapers are published in print form in Mauritius and Luxemburg.

entities which such sort of business operations outside India, are also required to amend their policy under Regulation 30 of the LODR to clarify the criteria for determining 'main business operations' in order to identify relevant jurisdictions and media threat.

In addition to the above, it has been clarified that news aggregators and social media platforms have been excluded from the scope of mainstream media.

Separately, in terms of timelines for compliance with RVR under the new regime, the LODR Amendment specifies that the listed entity is required to confirm, deny, or clarify any reported event or information, within 24 hours from the trigger of material price movement.

B. AMENDMENTS PERTAINING TO MARKET CAPITALISATION COMPUTATION

2. Revised methodology for computation of market capitalisation:

Listed entities with higher market cap and ranking into categories such as top 100, top 500, top 1000, and so on (collectively referred to as Top Cos) are subject to increased compliances (Top Co Compliances) under the LODR. Top Co Compliances can be categorised into 3 broad buckets of: (i) board related compliances;⁵ (ii) shareholder related compliances;⁶ and (iii) general governance and disclosure.⁷

Market capitalisation forms the basis for ranking for listed entities as Top Cos. Prior to the LODR Amendment, Top Co Compliances used to become applicable on 1 April basis identification of Top Co on 31 March basis market capitalisation of the securities of listed entities on 31 March.

This manner of identifying Top Cos and implementation timelines for Top Co Compliances had certain shortcomings. Firstly, it relied solely on a single-day market capitalisation. Secondly, there was inadequate time for listed entities newly ranked as Top Cos to establish mechanisms to ensure compliance with Top Co Compliances.

The new method for determining Top Cos is based on average market capitalisation of securities of the listed entities for the period between 1 July and 31 December of the calendar year. The list of listed entities based on such average market capitalisation shall be prepared by recognised stock exchanges by 31 December of the calendar year, starting 31 December 2024. Further, the Top Co Compliances under the LODR shall be applicable to the listed entity ranking as a Top Co within three months from 31 December (being 1 April of the immediate next year) or beginning of the immediate next financial year, whichever is later. This gives preparatory time to the listed entities ranking as top listed entity for the first time or after an interim period. Further, the requirement to comply with increased compliances would apply to the listed entity based on the previous year's ranking and shall continue unless the listed entity remains out of the ranking that triggers higher compliance for three consecutive years.

Given the change in method of Top Co identification, corresponding clean-up amendments throughout the LODR to remove reference to erstwhile method have been made.

C. OTHER GOVERNANCE AND DISCLOSURE BASED AMENDMENTS

3. Mandatory application of certain compliances applicable to equity listed entities under LODR deferred for high-

⁵ Such as mandatory independent woman director, minimum board strength of 6 directors, increased quorum of board meeting and constitution of risk management committee of the board.

⁶ Such as tighter timeline for holding annual general meeting (AGM) and requirement to provide one-way live webcast of AGM proceedings.

⁷ Such as requirement for obtaining directors' and officers' liability insurance, market rumour verification, disclosure of business responsibility and sustainability reporting (BRSR) and adoption of dividend distribution policy.

value debt listed entities:

By way of the LODR Amendment, the 'comply or explain' application of Regulations 15 to 27 of LODR (Identified Regulations) for high-value debt listed entities (HVLDE) has been extended by yet another year till 31 March 2025. Prior to this extension through the LODR Amendment, the effective date for mandatory application of equity listed compliances under LODR was 31 March 2024. Given that this amendment of the LODR Amendment is effective from 17 May 2024, there was a period of about 1.5 months for which these provisions were mandatorily applicable. Accordingly, it is likely that most HVDLEs may have already put in place governance mechanisms and be compliant with the Identified Regulations.

4. Timelines for prior intimation for certain board meetings:

Regulation 29 of the LODR sets out a requirement for prior intimation to stock exchanges for board meetings for considering certain specified agendas such as financial result, buyback, bonus shares, voluntary delisting, fund raising, declaration / recommendation of dividend, issue of convertible securities, alteration in form / nature or rights of any listed security and alteration in date on which interest on debentures / bonds or redemption amounts of redeemable shares / debentures / bonds are payable. Prior to the LODR Amendment, the timelines varied from 2 working days to 11 working days.

In line with the suggestion of the EODB Consultation Paper, through the LODR Amendment:

- a. All the pre-intimation requirements have been consolidated under single bucket and the timeline for prior intimation for board meetings for these agendas has been standardised to at least 2 clear working days in advance (i.e., excluding the date of the intimation and date of the board meeting).

- b. Key impact of the above change is that there is reduction in advance notice period: (i) from 11 working days to aforementioned 2 clear working days, for board meeting agenda items like alteration in form / nature or rights of any listed security and alteration in date on which interest on debentures / bonds or redemption amounts of redeemable shares / debentures / bonds are payable; and (ii) from 5 days to aforementioned 2 clear working days for board meetings with financial results as the agenda.

- c. Additionally, in a bid to enhance the ease of doing business and avoid multiple prior intimations, no prior intimation under Regulation 29 of the LODR is required for issuance of security receipts, securitised debt instruments or money market instruments regulated by the Reserve Bank of India. Furthermore, the determination of issue price in qualified institutional placement has been excluded from the fund-raising requirement.

5. Timeline for filing vacancy of certain offices:

By way of amendment last year, vacancy in the office of director and certain KMPs (being chief executive officer, managing director, whole time director, manager, and chief financial officer) was required to be filled within 3 months from the date of vacancy. Listed entities found it difficult to meet this timeline, especially when approval was required from regulators for any such requirements. LODR Amendment now gives 6 months' timeline for filling such position if any regulatory approval is required for such appointment. It is helpful for listed entities where prior approval is required, such as security clearance for appointment of person who is a national of a country which shares land border with India.

6. Time gap between meetings of risk management committee:

The maximum time gap between the meetings of risk management committee (RMC) has been increased from 180 days

(6 months) to 210 days (7 months). The Expert Committee observed that the legislative intent was to ensure 2 meetings of the RMC during a year, however, compliance with the strict letter of the law resulted in 3 meetings of the RMC during a year. Accordingly, an increase in the time gap was proposed in the EODB Consultation Paper to address the anomaly.

CONCLUSION

In conclusion, the LODR Amendment represented a significant leap forward in fostering an industry-aware regulatory environment. These amendments, borne out of collaborative efforts between SEBI and the ISF, signify a concerted attempt to bridge the gap between regulatory mandates and practical implementation challenges faced by India Inc. By actively engaging with industry stakeholders through the ISF, SEBI has demonstrated its commitment to

understanding the nuances of business operations and market intricacies. This collaborative approach ensures that regulatory changes are not just theoretical constructs but are tailored to facilitate seamless compliance and operational efficiency for listed entities.

Moreover, by fostering an environment conducive to smoother compliance procedures, the LODR Amendment contributes to enhancing the overall ease of doing business in India's financial markets. This, in turn, promotes investor confidence, stimulates investment flows, and bolsters economic growth by creating a more attractive and conducive ecosystem for businesses to thrive and expand.

- *Sudhir Bassi (Executive Director) and Saranya Mishra (Senior Associate).*

For any queries please contact:
editors@khaitanco.com

AMBITION STATEMENT

"Our ambition is to be a respectable law firm providing efficient and courteous service, to act with fairness, integrity and diligence, to be socially responsible and to enjoy life. We should put greater emphasis on working in consonance with our aforesaid values than on maximizing earnings. Earn we should but with dignity and pleasure."

Khaitan & Co is a premier full-service Indian law firm with 25+ practice areas, over 1,000 lawyers, including 200+ partners. To know more about us, please visit www.khaitanco.com