

SEBI REGULATIONS – COMPLIANCES IN CAPITAL MARKETS



LEARNING OUTCOMES

After going through the chapter student shall be able to understand:

- ☐ SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
- ☐ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- ☐ SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011
- ☐ SEBI (Buy-back of Securities) Regulations, 2018
- ☐ SEBI (Prohibition of Insider Trading) Regulations, 2015

CHAPTER OVERVIEW

SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011

SEBI (Buy-back of Securities) Regulations, 2018

SEBI (Prohibition of Insider Trading) Regulations, 2015



1. SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018

1.1 Introduction

The Securities and Exchange Board of India (SEBI), as the apex regulatory authority for the securities market in the country, has consistently played a pivotal role in formulating and implementing regulations that govern various aspects of capital markets. Among these, the "Issue of Capital and Disclosure Requirements" (ICDR) Regulations of 2018 hold special significance. These regulations serve as a comprehensive framework, providing guidelines and standards for companies when issuing capital and ensuring full disclosure to investors, fostering transparency and investor protection in the Indian capital market.

1.2 Key Objectives

(i) **Ensuring Investor Protection:** One of the primary objectives of the SEBI (ICDR) Regulations, 2018, is to safeguard the interests of investors by establishing a robust framework that governs the issuance of capital. This involves setting clear norms to protect investors from unfair practices and inadequate disclosures.

(ii) **Promoting Market Integrity:** The regulations aim to uphold the integrity of the securities market by setting standards for the issuance of capital, ensuring that the process is fair, transparent, and in compliance with regulatory norms.

(iii) **Facilitating Capital Raising:** By providing a structured framework, the regulations facilitate capital raising by companies through various instruments such as Initial Public Offerings (IPOs), rights issues, and preferential allotments, thereby contributing to the development and growth of the capital market.

1.3 Major compliances under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

I. Appointment of Lead Managers, Other Intermediaries and Compliance Officer

1. The issuer shall appoint one or more merchant bankers, which are registered with the Board, as lead manager(s) to the issue.
2. Where the issue is managed by more than one lead manager, the rights, obligations, and responsibilities, relating inter alia to disclosures, allotment, refund, and underwriting obligations, if any, of each lead manager shall be predetermined and be disclosed in the draft offer document and the offer document as specified in Schedule I.
3. At least one lead manager to the issue shall not be an associate (as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992) of the issuer and if any of the lead manager is an associate of the issuer, it shall disclose itself as an associate of the issuer and its role shall be limited to marketing of the issue.
4. The issuer shall, in consultation with the lead manager(s), appoint other intermediaries which are registered with the Board after the lead manager(s) have independently assessed the capability of other intermediaries to carry out their obligations.
5. The issuer shall enter into an agreement with the lead manager(s) in the format specified in Schedule II and enter into agreements with other intermediaries as required under the respective regulations applicable to the intermediary concerned.

Provided that such agreements may include such other clauses as the issuer and the intermediaries may deem fit without diminishing or limiting in any way the liabilities and obligations of the lead manager(s), other intermediaries and the issuer under the Act, the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the

Depositories Act, 1996 and the rules and regulations made thereunder or any statutory modification or statutory enactment thereof.

Provided further that in case of Application supported by Blocked Amount (ASBA) process, the issuer shall take cognizance of the deemed agreement of the issuer with the self-certified syndicate banks.

6. The issuer shall, in case of an issue made through the book building process, appoint syndicate member(s) and in the case of any other issue, appoint bankers to issue, at centres in the manner specified in Schedule XII.
7. The issuer shall appoint a registrar to the issue, registered with the Board, which has connectivity with all the depositories.

Provided that if the issuer itself is a registrar, it shall not appoint itself as registrar to the issue. Provided further that the lead manager shall not act as a registrar to the issue in which it is also handling the post-issue responsibilities.

8. The issuer shall appoint a compliance officer who shall be responsible for monitoring the compliance of the securities laws and for redressal of investors' grievances.

II. Disclosures in and Filing of Offer Documents

A. Disclosures in the draft offer document and offer document.

1. The draft offer document and offer document shall contain all material disclosures which are true and adequate to enable the applicants to take an informed investment decision.
2. Without prejudice to the generality of sub-regulation (1), the red-herring prospectus, and prospectus shall contain:
 - (a) disclosures specified in the Companies Act, 2013 and;
 - (b) disclosures specified in Part A of Schedule VI.
3. The lead manager(s) shall exercise due diligence and satisfy themselves about all aspects of the issue including the veracity and adequacy of disclosure in the draft offer document and the offer document.
4. The lead manager(s) shall call upon the issuer, its promoters, and its directors or in case of an offer for sale, also the selling shareholders, to fulfil their obligations as disclosed by them in the draft offer document and the offer document and as required in terms of these regulations.

5. The lead manager(s) shall ensure that the information contained in the draft offer document and offer document and the particulars as per restated audited financial statements in the offer document are not more than six months old from the issue opening date.

B. Filing of the Draft Offer Document and Offer Document

1. Prior to making an initial public offer, the issuer shall file three copies of the draft offer document with the Board, in accordance with Schedule IV, along with fees as specified in Schedule III, through the lead manager(s).
2. The lead manager(s) shall submit the following to the Board along with the draft offer document;
 - ❖ a certificate, confirming that an agreement has been entered into between the issuer and the lead manager(s);
 - ❖ a due diligence certificate as per Form A of Schedule V;
 - ❖ in case of an issue of convertible debt instrument, a due diligence certificate from the debenture trustee as per Form B of Schedule V.
3. The issuer shall also file the draft offer document with the stock exchange(s) where the specified securities are proposed to be listed, and submit to the stock exchange(s), the following;
 - ❖ Permanent Account Number,
 - ❖ Bank account number and
 - ❖ Passport number of its promoters where they are individuals, and
 - ❖ Permanent Account Number,
 - ❖ bank account number,
 - ❖ company registration number or equivalent and the address of the Registrar of Companies with which the promoter is registered, where the promoter is a body corporate.
4. The Board may specify changes or issue observations, if any, on the draft offer document within thirty days from the later of the following dates:
 - ❖ the date of receipt of the draft offer document under sub-regulation (1);
 - or

- ❖ the date of receipt of satisfactory reply from the lead manager(s), where the Board has sought any clarification or additional information from them; or
 - ❖ the date of receipt of clarification or information from any regulator or agency, where the Board has sought any clarification or information from such regulator or agency; or
 - ❖ the date of receipt of a copy of in-principle approval letter issued by the stock exchange(s).
5. If the Board specifies any changes or issues observations on the draft offer document, the issuer and lead manager(s) shall carry out such changes in the draft offer document and shall submit to the Board an updated draft offer document complying with the observations issued by the Board and highlighting all changes made in the draft offer document and before filing the offer documents with the Registrar of Companies or an appropriate authority, as applicable.
6. If there are any changes in the draft offer document in relation to the matters specified in Schedule XVI, an updated offer document or a fresh draft offer document, as the case may be, shall be filed with the Board along with fees specified in Schedule III.
7. Copy of the offer documents shall also be filed with the Board and the stock exchange(s) through the lead manager(s) promptly after filing the offer documents with Registrar of Companies.
8. The draft offer document and the offer document shall also be furnished to the Board in a soft copy.
9. The lead manager(s) shall submit the following documents to the Board after issuance of observations by the Board or after expiry of the period stipulated in sub-regulation (4) of Regulation 25 if the Board has not issued observations:
- ❖ a statement certifying that all changes, suggestions and observations made by the Board have been incorporated in the offer document;
 - ❖ a due diligence certificate as per Form C of Schedule Vat the time of filing of the offer document;

- ❖ a copy of the resolution passed by the board of directors of the issuer for allotting specified securities to promoter(s) towards amount received against promoters' contribution, before opening of the issue;
- ❖ a certificate from a statutory auditor, before opening of the issue, certifying that promoters' contribution has been received in accordance with these regulations, accompanying therewith the names and addresses of the promoters who have contributed to the promoters' contribution and the amount paid and credited to the issuer's bank account by each of them towards such contribution;
- ❖ a due diligence certificate as per Form D of Schedule Vin the event the issuer has made a disclosure of any material development by issuing a public notice pursuant to para 4 of Schedule IX.

C. Draft Offer Document and Offer Document to be available to the Public

1. The draft offer document filed with the Board shall be made public for comments, if any, for a period of at least twenty-one days from the date of filing, by hosting it on the websites of
 - ❖ Issuer;
 - ❖ the Board;
 - ❖ Stock Exchanges where specified securities are proposed to be listed and lead manager(s) associated with the issue.
2. The issuer shall, within two days of filing the draft offer document with the Board, make a public announcement in;
 - ❖ one English national daily newspaper with wide circulation,
 - ❖ one Hindi national daily newspaper with wide circulation and
 - ❖ one Regional language newspaper with wide circulation at the place where the Registered Office of the issuer is situated;

disclosing the fact of filing of the draft offer document with the Board and inviting the public to provide their comments to the Board, the issuer or the lead manager(s) in respect of the disclosures made in the draft offer document.
3. The lead manager(s) shall, after expiry of the period stipulated in sub-regulation (1), file with the Board, details of the comments received by them or the issuer

from the public, on the draft offer document, during that period and the consequential changes, if any, that are required to be made in the draft offer document.

III. Issuance Conditions and Procedures

1. **Minimum offer to public:** The minimum offer to the public shall be subject to the provisions of clause (b) of sub-rule (2) of rule 19 of Securities Contracts (Regulations) Rules, 1957.
2. **Prohibition on payment of incentives:** Any person connected with the issue shall not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application in the initial public offer, except for fees or commission for services rendered in relation to the issue.
3. **Security Deposit:** The issuer shall, before the opening of the subscription list, deposit with the designated stock exchange, an amount calculated at the rate of one percent of the issue size available for subscription to the public in the manner specified by Board and/or stock exchange(s). The amount shall be refundable or forfeitable in the manner specified by the Board.
4. **Monitoring Agency:** If the issue size, excluding the size of offer for sale selling shareholders, exceeds one hundred crore rupees, the issuer shall make arrangements for the use of proceeds of the issue to be monitored by a credit rating agency registered with the Board:

The appointment of a Monitoring Agency shall not apply to an issue of specified securities made by a bank or public financial institution or an insurance company.

The monitoring agency shall submit its report to the issuer in the format specified in Schedule XI on a quarterly basis, till 100% of the proceeds of the issue have been utilized.

The board of directors and the management of the issuer shall provide their comments on the findings of the monitoring agency as specified in Schedule XI.

The issuer shall, within forty five days from the end of each quarter, publicly disseminate the report of the monitoring agency by uploading the same on its website as well as submitting the same to the stock exchange(s) on which its equity shares are listed.

5. Issue related Advertisements

- (i) Subject to the provisions of the Companies Act, 2013, the issuer shall, after filing the red herring prospectus (in case of a book built issue) or prospectus (in case of fixed price issue) with the Registrar of Companies, make a pre-issue advertisement in one English national daily newspaper with wide circulation, Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the registered office of the issuer is situated.

- (ii) The pre-issue advertisement shall be in the format and shall contain the disclosures specified in Part A of Schedule X.

Provided that the disclosures in relation to price band or floor price and financial ratios contained therein shall only be applicable where the issuer opts to announce the price band or floor price along with the pre-issue advertisement pursuant to sub-regulation (4) of regulation 29.

- (iii) The issuer may release advertisements for issue opening and issue closing, which shall be in the formats specified in Parts B and C of Schedule X.
- (iv) During the period the issue is open for subscription, no advertisement shall be released giving an impression that the issue has been fully subscribed or oversubscribed or indicating investors' response to the issue.

6. Post issue Advertisements:

- (i) The lead manager(s) shall ensure that an advertisement giving details relating to subscription, basis of allotment, number, value and percentage of all applications including ASBA, number, value and percentage of successful allottees for all applications including ASBA, date of completion of dispatch of refund orders, as applicable, or instructions to self-certified syndicate banks by the registrar, date of credit of specified securities and date of filing of listing application, etc. is released within ten days from the date of completion of the various activities in;
 - ❖ at least one English national daily newspaper with wide circulation,
 - ❖ one Hindi national daily newspaper with wide circulation and
 - ❖ one regional language daily newspaper with wide circulation at the place where registered office of the issuer is situated.

- (ii) Details specified in sub regulation (1) shall also be placed on the websites of the stock exchange(s).

7. Post-issue responsibilities of the Lead Manager

1. The responsibility of the lead manager(s) shall continue until completion of the issue process and for any issue related matter thereafter.
2. The lead manager(s) shall regularly monitor redressal of investor grievances arising from any issue related activities.
3. The lead manager(s) shall continue to be responsible for post-issue activities till the applicants have received the securities certificates, credit to their demat account or refund of application monies and the listing agreement is entered into by the issuer with the stock exchange and listing or trading permission is obtained.
4. The lead manager(s) shall be responsible for and co-ordinate with the registrars to the issue and with various intermediaries at regular intervals after the closure of the issue to monitor the flow of applications from syndicate member(s) or collecting bank branches and/ or self-certified syndicate banks, processing of the applications including application form for ASBA and other matters till the basis of allotment is finalized, credit of the specified securities to the demat accounts of the allottees and unblocking of ASBA accounts/ dispatch of refund orders are completed and securities are listed, as applicable.
5. Any act of omission or commission on the part of any of the intermediaries noticed by the lead manager(s) shall be duly reported by them to the Board.
6. In case there is a devolvement on the underwriters, the lead manager(s) shall ensure that the notice for devolvement containing the obligation of the underwriters is issued within ten days from the date of closure of the issue.
7. In the case of undersubscribed issues that are underwritten, the lead manager(s) shall furnish information in respect of underwriters who have failed to meet their underwriting devolvement to the Board, in the format specified in Schedule XVIII.



2. SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

2.1 Introduction

To enhance corporate governance and ensure timely and accurate disclosure of information, SEBI introduced the Listing Obligations and Disclosure Requirements (LODR) Regulations in 2015. These regulations serve as a comprehensive framework aimed at fostering transparency, accountability, and efficient corporate practices among listed entities.

The SEBI (LODR) Regulations, 2015, were implemented with the primary objective of aligning Indian corporate governance standards with global best practices. The regulations mandate stringent disclosure norms and governance principles to enhance the quality and reliability of information available to investors. By doing so, SEBI aims to instill investor confidence, facilitate better decision-making, and ultimately contribute to the overall stability and growth of the Indian securities market.

2.2 Key Objectives

1. **Disclosure Norms:** The regulations lay down specific requirements for listed companies regarding the timely disclosure of material events, financial results, and other crucial information. This ensures that investors receive accurate and up-to-date information to make informed investment decisions.
2. **Corporate Governance Practices:** SEBI (LODR) Regulations, 2015, emphasize the adoption of robust corporate governance practices by listed entities. This includes the composition of boards, roles and responsibilities of key managerial personnel, and the establishment of various Committees, such as the Audit Committee and nomination and remuneration Committee.
3. **Related Party Transactions:** The regulations address the issue of related party transactions, ensuring transparency and fairness in such dealings. Listed entities are required to obtain approval from shareholders for material related party transactions to prevent any potential conflicts of interest.
4. **Code of Conduct:** SEBI mandates the formulation and adherence to a code of conduct for Company directors and senior management personnel. This code serves as a guide for ethical business conduct and sets the tone for responsible and accountable leadership.

5. **Listing Agreement Consolidation:** SEBI (LODR) Regulations, 2015, consolidated and streamlined various listing agreements that were in place earlier. This simplification of the regulatory framework enhances clarity and ease of compliance for listed entities.

2.3 Compliances under SEBI (LODR) Regulations, 2015

Let us gain insight on major compliances under SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2018.

2.3.1 Compliance Officer and his /her Obligations (Regulation 6)

Pursuant to Regulation 6 of SEBI (LODR) Regulations, 2015, a listed entity shall appoint a qualified Company Secretary as the Compliance Officer.

Any vacancy in the office of the Compliance Officer shall be filled by the listed entity at the earliest and in any case not later than three months from the date of such vacancy.

Provided, that the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

The Compliance Officer of the listed entity shall be responsible for -

- (a) Ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.
- (b) Co-ordination with and reporting to the Board, recognized stock exchange(s) and depositories with respect to compliance with rules, regulations, and other directives of these authorities in manner as specified from time to time.
- (c) Ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.
- (d) Monitoring email address of grievance redressal division as designated by the listed entity for the purpose of registering complaints by investors.

Provided that the requirements of this regulation shall not be applicable in the case of units issued by mutual funds which are listed on recognized stock exchange(s) but shall be governed by the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

2.3.2. Share Transfer Agent (Regulation 7)

Pursuant to Regulation 7 of SEBI (LODR) Regulations, 2015, the listed entity shall.

- ◆ Appoint a share transfer agent or
- ◆ Manage the share transfer facility in-house.

In case of in-house share transfer facility, as and when the total number of holders of securities of the listed entity exceeds one lakh, the listed entity shall either register with the Board as a Category II share transfer agent or appoint Registrar to an issue and share transfer agent registered with the Board.

Compliance Requirements relating to Share Transfer Agent

1. The listed entity shall submit a compliance certificate to the exchange, duly signed by both the Compliance Officer of the listed entity and the Authorized Representative of the share transfer agent, wherever applicable, within thirty days from the end of the financial year, certifying compliance with the requirements of point (ii) above.
2. In case of any change or appointment of a new share transfer agent, the listed entity shall enter into a tripartite agreement between the existing share transfer agent, the new share transfer agent, and the listed entity, in the manner as specified by the Board from time to time. However, in case the existing share transfer facility is managed in-house, the agreement shall be entered into between the listed entity and the new share transfer agent.

2.3.3 Preservation of Documents (Regulation 9)

The listed entity shall have a policy for preservation of documents, approved by its Board of Directors, classifying them in at least two categories as follows-

- (a) documents whose preservation shall be permanent in nature;
- (b) documents with preservation period of not less than eight years after completion of the relevant transactions.

The listed entity may keep documents specified in clauses (a) and (b) in electronic mode.

2.3.4 Grievance Redressal Mechanism (Regulation 13)

1. The listed entity shall redress investor grievances promptly but not later than twenty-one calendar days from the date of receipt of the grievance and in such manner as may be specified by the Board.

2. The listed entity shall ensure that it is registered on the SCORES platform, or such other electronic platform or system of the Board as shall be mandated from time to time, in order to handle investor complaints electronically in the manner specified by the Board.

Compliance Requirements relating to grievance redressal

1. The listed entity shall file with the recognized stock exchange(s) on a quarterly basis, within twenty-one days from the end of each quarter, a statement giving;
 - the number of investor complaints pending at the beginning of the quarter,
 - those received during the quarter,
 - disposed of during the quarter, and
 - those remaining unresolved at the end of the quarter
2. The statement shall be placed, on quarterly basis, before the board of directors of the listed entity.

The Board may also recognize a body corporate for handling and monitoring the process of grievance redressal within such time and in such manner as may be specified.

2.3.5 Audit Committee (Regulation 18)

- ♦ **Composition:** Every listed entity shall constitute a qualified and independent Audit Committee in accordance with the terms of reference, subject to the following;
 - The Audit Committee shall have a minimum of three directors as members.
 - At least two-thirds of the members of Audit Committee shall be independent directors and in case of a listed entity having outstanding Superior Voting Rights equity shares, the Audit Committee shall only comprise of independent directors.
 - All members of Audit Committee shall be financially literate and at least one member shall have accounting or related financial management expertise.
 - ("Financially literate" shall mean the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows)
 - The Chairperson of the Audit Committee shall be an independent director and he/she shall be present at the Annual General Meeting to answer shareholder queries.
 - The Company Secretary shall act as the secretary to the Audit Committee.

- The Audit Committee at its discretion shall invite the finance director or head of the finance function, head of internal Audit and a representative of the statutory Auditor and any other such executives to be present at the meetings of the Committee.

Provided that occasionally the Audit Committee may meet without the presence of any executives of the listed entity.

- ◆ **Meeting:** The Audit Committee shall meet at least four times in a year and not more than one hundred and twenty days shall elapse between two meetings.
- ◆ **Quorum:** The quorum for Audit Committee meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater, with at least two independent directors.
- ◆ **Powers:** The Audit Committee shall have powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.
- ◆ **Role of Audit Committee:** The role of Audit Committee and the information to be reviewed by the Audit Committee shall be as specified in Part C of Schedule II.

2.3.6 Nomination And Remuneration Committee (Regulation 19)

- ◆ **Composition:** The board of directors shall constitute the nomination and remuneration Committee as follows:
 - the Committee shall comprise of at least three directors;
 - all directors of the Committee shall be non-executive directors; and
 - at least two-third of the directors shall be independent directors
 - The Chairperson of the Nomination and Remuneration Committee shall be an independent director.

Provided that the chairperson of the listed entity, whether executive or non-executive, maybe appointed as a member of the Nomination and Remuneration Committee and shall not chair such Committee.

- ◆ **Quorum:** The quorum for a meeting of the Nomination And Remuneration Committee shall be either two members or one third of the members of the Committee, whichever is greater, including at least one independent director in attendance.

The Chairperson of the Nomination and Remuneration Committee may be present at the Annual General Meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.

- ◆ **Meeting:** The Nomination and Remuneration Committee shall meet at least once in a year.
- ◆ **Role:** The role of the nomination and remuneration Committee shall be as specified as in Part D of the Schedule II.

2.3.7 Stakeholders Relationship Committee (Regulation 20)

- ◆ **Composition:** The listed entity shall constitute a Stakeholders Relationship Committee to specifically look into various aspects of interest of shareholders, debenture holders and other security holders.
 - The chairperson of this Committee shall be a non-executive director.
 - At least three directors, with at least being an independent director, shall be members of the Committee and in case of a listed entity having outstanding Superior Voting Rights equity shares, at least two thirds of the Stakeholders Relationship Committee shall comprise of independent directors.
 - The Chairperson of the Stakeholders Relationship Committee shall be present at the annual general meetings to answer queries of the security holders.
- ◆ **Meeting:** The Stakeholders Relationship Committee shall meet at least once in a year.
- ◆ **Role:** The role of the Stakeholders Relationship Committee shall be as specified as in Part D of the Schedule II.

2.3.8 Risk Management Committee (Regulation 21)

- ◆ **Composition:** The board of directors shall constitute a Risk Management Committee.
 - The Risk Management Committee shall have minimum three members with majority of them being members of the board of directors, including at least one independent director and in case of a listed entity having outstanding Superior Voting Rights Equity shares, at least two third of the Risk Management Committee shall comprise independent directors.
 - The Chairperson of the Risk management Committee shall be a member of the board of directors and senior executives of the listed entity may be members of the Committee.
- ◆ **Meeting:** The risk management Committee shall meet at least twice in a year.

- ◆ **Quorum:** The quorum for a meeting of the Risk Management Committee shall be either two members or one third of the members of the Committee, whichever is higher, including at least one member of the board of directors in attendance.
- ◆ **Meeting:** The meetings of the risk management Committee shall be conducted in such a manner that on a continuous basis not more than one hundred and eighty days shall elapse between any two consecutive meetings.
- ◆ **Role:** The board of directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit such function shall specifically cover cyber security.

Provided that role and responsibilities of the Risk Management Committee shall mandatorily include the performance of functions specified in Part D of Schedule II.

The provisions of this regulation shall be applicable to top 1000 listed entities, determined on the basis of market capitalization as at the end of the immediate preceding financial year; and, ii. a 'high value debt listed entity'.

The Risk Management Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

2.3.9 Vigil Mechanism (Regulation 22)

1. The listed entity shall formulate a vigil mechanism /whistle blower policy for directors and employees to report genuine concerns.
2. The vigil mechanism shall provide for adequate safeguards against victimization of director(s) or employee(s) or any other person who avail the mechanism and also provide for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases.

2.3.10 Secretarial Audit and Secretarial Compliance Report (Regulation 24A)

Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit and shall annex a Secretarial Audit Report given by a Company Secretary in practice, in such form as specified, with the Annual Report of the listed entity.

Every listed entity shall submit a Secretarial Compliance Report in such form as specified, to stock exchanges, within sixty days from end of each financial year.

2.3.11 Other Corporate Governance Requirements (Regulation 27)

1. The listed entity shall submit a quarterly compliance report on corporate governance in the format specified by the Board from time to time to the recognized stock exchange(s) within twenty-one days from the end of each quarter.
2. Details of all material transactions with related parties shall be disclosed along with the report.
3. Details of cyber security incidents or breaches or loss of data or documents shall be disclosed along with the report.
4. The report shall be signed either by the Compliance Officer or the chief executive officer of the listed entity.

2.3.12 Prior Intimations (Regulation 29)

The listed entity shall give prior intimation to stock exchange about the meeting of the board of directors in which any of the following proposals is due to be considered at least two working days in advance, excluding the date of the initiation and date of the meeting;

- (a) proposal for buyback of securities;
- (b) proposal for voluntary delisting by the listed entity from the stock exchange(s);
- (c) fund raising by way of further public offer, rights issue, American Depositary Receipts/Global Depositary Receipts/Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method and for determination of issue price.
- (d) Provided that intimation shall also be given in case of any Annual General Meeting or Extraordinary General Meeting or postal ballot that is proposed to be held for obtaining shareholder approval for further fundraising indicating type of issuance.
- (e) declaration/ recommendation of dividend, issue of convertible securities including convertible debentures or of debentures carrying a right to subscribe to equity shares or the passing over of dividend.
- (f) the proposal for declaration of bonus securities.

Intimation regarding Financial results viz. quarterly, half yearly, or annual, as the case may be, to be discussed at the meeting of board of directors shall be given at least five days in advance (excluding the date of the intimation and date of the meeting), and such intimation shall include the date of such meeting of board of directors.

The listed entity shall give intimation to the stock exchange(s) at least eleven working days before any of the following proposals are placed before the board of directors.

- (i) any alteration in the form or nature of any of its securities that are listed on the stock exchange or in the rights or privileges of the holders thereof;
- (ii) any alteration in the date on which, the interest on debentures or bonds, or the redemption amount of redeemable shares or of debentures or bonds, shall be payable.



3. SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVER) REGULATIONS, 2011

3.1 Introduction

The SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, were enacted to address and regulate the acquisition of substantial shares or voting rights in listed companies, bringing transparency, fairness, and protection to shareholders during takeover transactions.

3.2 Key Objectives

1. **Protection of Shareholder Interests:** The primary objective of these regulations is to safeguard the interests of shareholders by providing them with fair treatment and ensuring they are well-informed during takeover processes.
2. **Market Integrity:** SEBI aims to maintain the integrity and credibility of the securities market by preventing unfair practices and ensuring that changes in control are conducted in a transparent and orderly manner.
3. **Equal Opportunity:** The regulations seek to provide all shareholders with an equal opportunity to participate in the decision-making process during takeovers, thereby promoting a level playing field for investors.

3.3 Applicability

These regulations shall apply to direct and indirect acquisition of shares or voting rights in, or control over target Company.

Provided that these regulations shall not apply to direct and indirect acquisition of shares or voting rights in, or control over a Company listed without making a public issue, on the Innovators Growth Platform (IGP) of a recognized stock exchange.

3.4 Important Definitions

1. **Acquirer** - Acquirer means any person who, directly or indirectly, acquires or agrees to acquire whether by himself, or through, or with persons acting in concert with him, shares or voting rights in, or control over, a target company.
2. **Acquisition**- Acquisition means, directly or indirectly, acquiring or agreeing to acquire shares or voting rights in, or control over, a target company.
3. **Control**- Control includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

Provides that a director officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position.

4. **Frequently traded shares**- Frequently traded shares means shares of a target company, in which the traded turnover on any stock exchange during the twelve calendar months preceding the calendar month in which the public announcement is required to be made under these regulations, is at least ten per cent of the total number of shares of such class of the target company.

Provided that where the share capital of a particular class of shares of the target company is not identical throughout such period, the weighted average number of total shares of such class of the target company shall represent the total number of shares.

5. **Identified Date**-Identified date means the date falling on the tenth working day prior to the commencement of the tendering period, for the purposes of determining the shareholders to whom the letter of offer shall be sent.
6. **Shares** - Share means shares in the equity share capital of a target company carrying voting rights, and includes any security which entitles the holder thereof to exercise voting rights.

Explanation—For the purpose of this clause shares will include all depository receipts carrying an entitlement to exercise voting rights in the target company.

7. **Target Company** - Target company means a company and includes a body corporate or corporation established under a Central legislation, State legislation or Provincial legislation for the time being in force, whose shares are listed on a stock exchange.

8. **Volume weighted average market price-** Volume weighted average market price means the product of the number of equity shares traded on a stock exchange and the price of each equity share divided by the total number of equity shares traded on the stock exchange.
9. **Volume weighted average price-** Volume weighted average price means the product of the number of equity shares bought and price of each such equity share divided by the total number of equity shares bought.
10. **Weighted average number of total shares-** Weighted average number of total shares means the number of shares at the beginning of a period, adjusted for shares cancelled, bought back or issued during the aforesaid period, multiplied by a time-weighting factor.
11. **“Persons acting in concert”** means:
1. persons who, with a common objective or purpose of acquisition of shares or voting rights in, or exercising control over a target company, pursuant an agreement or understanding, formal or informal, directly, or indirectly co-operate for acquisition of shares or voting rights in, or exercise of control over the target company.
 2. Without prejudice to the generality of the foregoing, the persons falling within the following shall be deemed be persons acting in concert with other persons within the same category, unless the contrary is established—
 - (i) a company, its holding company, subsidiary company and any company under the same management or control;
 - (ii) a company, its directors, and any person entrusted with the management of the company;
 - (iii) directors of companies referred to in item (i) and (ii) of this sub-clause and associates of such directors;
 - (iv) promoters and members of the promoter group;
 - (v) immediate relatives;
 - (vi) a mutual fund, its sponsor, trustees, trustee company, and asset management company;
 - (vii) a collective investment scheme and its collective investment management company, trustees and trustee company;
 - (viii) a venture capital fund and its sponsor, trustees, trustee company and asset management company;

- (ix) an alternative investment fund and its sponsor, trustees, trustee company and manager;
- (x) a merchant banker and its client, who is an acquirer;
- (xi) a portfolio manager and its client, who is an acquirer;
- (xii) banks, financial advisors and stock brokers of the acquirer, or of any company which is holding company or subsidiary of the acquirer, and where the acquirer is an individual, of the immediate relative of such individual.

Provided that this sub-clause shall not apply to a bank whose sole role is that of providing normal commercial banking services or activities in relation to an open offer under these regulations;

- (xiii) an investment company or fund and any person who has an interest in such investment company funds shareholder or unitholder having not less than 10 percent of paid-up capital the Company of the fund, and any other investment company or fund in which such person or his associate hold not less than 10 percent of the paid-up capital of that investment company or unit capital of that fund.

Provided that nothing contained in this sub-clause shall apply to holding of units of mutual funds registered with the Board.

Explanation—For the purposes of this clause “associate” of a person means—

- (a) any immediate relative of such person;
- (b) trusts of which such person or his immediate relative is a trustee;
- (c) partnership firm in which such person or his immediate relative is a partner; and
- (d) members of Hindu Undivided families of which such person is a coparcener.

3.5 Types of Offer

TYPES OF OFFER			
MANDATORY OPEN OFFER (Regulation 3)	VOLUNTARY OFFER (Regulation 6)	CONDITIONAL OFFER (Regulation 19)	COMPETING OFFER (Regulation 20)

Regulation 3: Mandatory Open Offer

No acquirer **shall acquire** shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, entitle them to exercise twenty-five per cent or more of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring at least twenty-six percent shares of such target company in accordance with these regulations.

No acquirer, who together with persons acting in concert with him, has acquired and holds in accordance with these regulations shares or voting rights in a target company entitling them to exercise twenty-five percent or more of the voting rights in the target company but less than the maximum permissible non-public shareholding, shall acquire within any financial year additional shares or voting rights in such target company entitling them to exercise more than five percent of the voting rights, unless the acquirer makes a public announcement of an open offer for acquiring at least twenty-six percent shares of such target company in accordance with these regulations.

Provided that acquisition pursuant to a resolution plan approved under Section 31 of Insolvency and Bankruptcy Code, 2016 shall be exempt from the above-mentioned obligation.

NOTE:

- ◆ *Nothing contained in this regulation shall apply to acquisition of shares or voting rights of a company by the promoters or shareholders in control, in terms of the provisions of Chapter VI-A of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.*
- ◆ *Any reference to “twenty-five percent” in case of listed entity which has listed its specified securities on **Innovators Growth Platform** shall be read as “forty-nine percent”.*

Regulation 6: Voluntary Offer

An acquirer, who together with persons acting in concert with him, **holds shares or voting rights** in a target company entitling them to exercise twenty-five per cent or more but less than the maximum permissible non-public shareholding, shall be entitled to voluntarily make a public announcement of an open offer for acquiring shares in accordance with these regulations, subject to their aggregate shareholding after completion of the open offer not exceeding the maximum permissible non-public shareholding.

In cases where an acquirer or any person acting in concert with him has acquired shares of the target company in the **preceding fifty-two weeks** without attracting the obligation to make a public announcement of an open offer, he shall **not be eligible to voluntarily make a public announcement of an open offer for acquiring shares**.

An acquirer and persons acting in concert with him, who have made a public announcement under this regulation to acquire shares of a target company shall not be entitled to acquire any shares of the target company for a period of six months after completion of the open offer except pursuant to another voluntary open offer. However, nothing shall prohibit the acquirer from making a competing offer upon any other person making an open offer for acquiring the shares of a target company.

Further, the acquirer shall be entitled to receive shares in a bonus issue or acquire shares in a share split during this period of 6 months.

Regulation 19: Conditional Offer

1. An acquirer may make an open offer conditional as to the minimum level of acceptance.
2. Where the open offer is pursuant to an agreement, such agreement shall contain a condition to the effect that in the event the desired level of acceptance of the open offer is not received **the acquirer shall not acquire any shares** under the open offer and the agreement attracting the obligation to make the open offer shall stand rescinded.

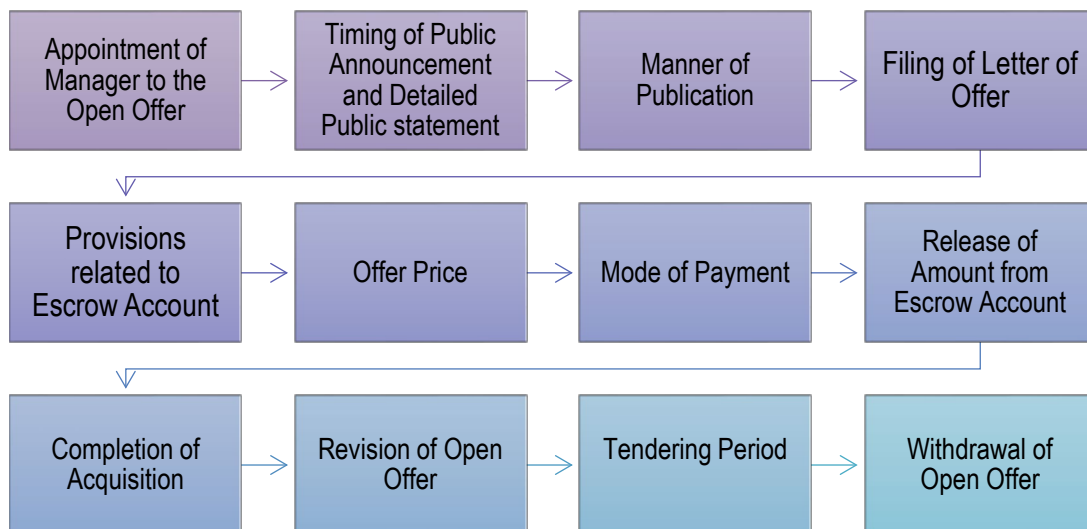
Regulation 20: Competing Offer

1. Upon a public announcement of an open offer for acquiring shares of a target company being made, any person, other than the acquirer who has made such public announcement, shall be entitled to make a public announcement of an open offer within fifteen working days of the date of the detailed public statement made by the acquirer who has made the first public announcement.
2. Upon the public announcement of a competing offer, an acquirer who had made a preceding competing offer shall be entitled to revise the terms of his open offer provided the revised

terms are more favorable to the shareholders of the target company.

Provided that the acquirers making the competing offers shall be entitled to make upward revisions of the offer price at any time up to one working day prior to the commencement of the tendering period.

3.6 Open offer Process



Manager to the Open Offer

Prior to the public announcement, the acquirer shall appoint a Merchant Banker registered with the Board, who is not an associate of the acquirer, as a Manager to the Open Offer.

Timing of Public Announcement and Detailed Public Statement

1. A short public announcement shall be made on the same date as the date of transaction which triggered the open offer requirement.
2. A **Detailed Public Statement** shall be made within a period of 5 working days from the date on which the short public announcement was made.

Manner of Publication of Public Announcement

1. The Public Announcement shall be sent to all stock exchanges, where the shares of the Target Company are listed and the respective stock exchanges shall further disseminate forthwith, such information to the public.

2. A copy of the public announcement shall be sent to the Board and the target company at its registered office within one working day of the date of the public announcement.
3. The detailed public statement shall be published in all editions of;
 - any one English national daily with wide circulation,
 - any one Hindi national daily with wide circulation, and
 - any one regional language daily with wide circulation at the place where the registered office of the target company is situated and
 - one regional language daily at the place of the stock exchange where the maximum volume of trading in the shares of the target company are recorded during the sixty trading days preceding the date of the public announcement.
4. Simultaneously with publication of such detailed public statement in the newspapers, a copy of the same shall be sent to;
 - the Board through the manager to the open offer,
 - all the stock exchanges on which the shares of the target company are listed, and the stock exchanges shall forthwith disseminate such information to the public,
 - the target company at its registered office, and the target company shall forthwith circulate it to the members of its board.

Filing of Letter of Offer

1. Within 5 working days from the date of making Detailed Public Statement, the acquirer shall through the merchant banker to the open offer, file with the Board, a draft letter of offer containing such information as may be specified along with a non-refundable fee.
2. The Manager to the open offer shall provide soft copies of the public announcement, detailed public statement and the draft letter of offer along with such specifications as may be specified and the Board shall upload the same on its website.
3. The Board shall give its comments on the draft letter of offer as expeditiously as possible but not later than fifteen working days of the receipt of the draft letter of offer.

In the event of no comments being issued by the Board within such period, it shall be deemed that the Board does not have any comments to offer.

In cases where the Board has sought clarifications or additional information from the manager to the open offer, the period for issuance of comments shall be extended to the fifth working

day from the date of receipt of satisfactory reply to the clarification or additional information sought.

Provisions related to Escrow Account

Not later than two working days prior to the date of the detailed public statement of the open offer for acquiring shares, the acquirer shall create an escrow account towards security for performance of his obligations under these regulations, and deposit in escrow account such aggregate amount as per the following scale:

Consideration payable under the Open Offer	Escrow Amount
On the first ₹ 500 Crores	An amount equal to 25% of the consideration.
On the Balance Consideration	An additional amount equal to ten per cent of the balance consideration.

Offer Price

The Open offer for acquiring shares shall be made at a price not lower than the price determined in the following manner;

1. In the case of direct acquisition of shares or voting rights in, or control over the target company, and indirect acquisition of shares or voting rights in, or control over the target company where the parameters referred to in sub-regulation (2) of regulation 5 are met, the offer price shall be the highest of;
 - (a) the highest negotiated price per share of the target company for any acquisition under the agreement attracting the obligation to make a public announcement of an open offer;
 - (b) the volume-weighted average price paid or payable for acquisitions, whether by the acquirer by any person acting in concert with him, during the fifty-two weeks immediately preceding the date of the public announcement;
 - (c) the highest price paid or payable for any acquisition, whether by the acquirer or by any person acting in concert with him, during the twenty-six weeks immediately preceding the date of the public announcement;
 - (d) the volume-weighted average market price of such shares for a period of sixty trading days immediately preceding the date of the public announcement as traded on the

stock exchange where the maximum volume of trading in the shares of the target company are recorded during such period, provided such shares are frequently traded;

- (e) where the shares are not frequently traded, the price determined by the acquirer and the manager to the open offer taking into account valuation parameters including, book value, comparable trading multiples, and such other parameters as are customary for valuation of shares of such companies;

Mode of Payment

The offer price may be paid in either of the following manner:

- ◆ cash or;
- ◆ by issue, exchange or transfer of listed shares in the equity share capital of the acquirer or any person acting in concert with the acquirer or;
- ◆ by way of an issue, exchange or transfer of listed secured debt instruments issued by the acquirer or any person acting in concert with a rating not below investment grade as rated by a credit rating agency registered with SEBI;
- ◆ by issue, exchange or transfer of convertible debt securities entitling the holder thereof to acquire listed shares in the equity share capital of the acquirer or any person acting in concert with the acquirer or;
- ◆ A combination of the mode of payment of consideration as stated above.

Release of Amount from Escrow Account

1. The manager to the open offer shall not release the escrow account until the expiry of thirty days from the completion of payment of consideration to shareholders who have tendered their shares in acceptance of the open offer.
2. In the event of non-fulfillment of obligations under these regulations by the acquirer, the Board may direct the manager to the open offer to forfeit the escrow account or any amounts lying in the special escrow account, either in full or in part.
3. The escrow account deposited with the bank in cash shall be released only in the following manner :-
 - the entire amount to the acquirer upon withdrawal of offer in terms of regulation 23 of these regulations are sacrificed by the manager to the open offer;

- for transfer of an amount not exceeding ninety per cent of the escrow account, to the special escrow account in accordance with Regulation 21;
- to the acquirer, the balance of the escrow account after transfer of cash to the special escrow account, on the expiry of thirty days from the completion of payment of consideration to shareholders who have tendered their shares in acceptance of the open offer, as certified by the manager to the open offer;
- the entire amount to the acquirer upon the expiry of thirty days from the completion of payment of consideration to shareholders who have tendered their shares in acceptance of the open offer, upon certification by the manager to the open offer, where the open offer is for exchange of shares or other secured instruments;
- the entire amount to the manager to the open offer, in the event of forfeiture for non-fulfillment of any of the obligations under these regulations, for distribution in the following manner, after deduction of expenses, if any, of registered market intermediaries associated with the open offer,
 - (i) one-third of the escrow account to the target company;
 - (ii) one-third of the escrow account to the Investor Protection and Education Fund established under the Securities and Exchange Board of India (Investor Protection and Education Fund) Regulations, 2009; and
 - (iii) one-third of the escrow account to be distributed pro-rata among the shareholders who have accepted the open offer.

Completion of Acquisition

The acquirer shall not complete the acquisition of shares or voting rights in, or control over, the target company, whether by way of subscription to shares or a purchase of shares attracting the obligation to make an open offer for acquiring shares, until the expiry of the offer period.

The acquirer shall complete the acquisitions contracted under any agreement attracting the obligation to make an open offer not later than twenty-six weeks from the expiry of the offer period.

In the event of any extraordinary and supervening circumstances rendering it impossible to complete such acquisition within such period, the Board may for reasons to be published, may grant an extension of time by such period as it may deem fit in the interests of investors in securities and the securities market.

Revision of Open Offer

Irrespective of whether a competing offer has been made, and acquirer may make an upward revision to the offer price and subject to the other provisions of these regulations, the acquirer at any time prior to the commencement of the last three working days prior to the commencement of tendering period to the event of any revision of the open offer whether by way of an upward revision in the offer price or of the offer size shall:-

1. Make corresponding increases to the amount kept in escrow prior to such revision;
2. Make an announcement in respect of such revisions in all the newspapers in which the detailed public statement pursuant to the public announcement was made;
3. Simultaneously, with the issue of such an announcement, inform SEBI all the stock exchanges on which the shares of the target company are listed and the target company added its registered office.

Tendering Period

The tendering period shall start not later than 12 working days from the date of receipt of comments from the Board and shall remain open for 10 working days.

Shareholders who have tendered shares in acceptance of the open offer shall not be entitled to withdraw such acceptance during the tendering period.

Withdrawal of Open offer

An open offer once made shall not be withdrawn except under any of the following circumstances;

1. Statutory approvals required for the open offer or for effecting the acquisitions attracting the obligation to make an open offer under these regulations having been finally refused, subject to such requirements for approval having been specifically disclosed in the detailed public statement and the letter of offer;
2. The acquirer, being a natural person, has died;
3. Any condition stipulated in the agreement for acquisition attracting the obligation to make the open offer is not met for reasons outside the reasonable control of the acquirer; or
4. Such circumstances as in the opinion of the Board, merit withdrawal.

In the event of withdrawal of the open offer, the acquirer shall through the manager to the open offer, within two working days:

- (a) make an announcement in the same newspapers in which the public announcement of the open offer was published, providing the grounds and reasons for withdrawal of the open offer; and
- (b) simultaneously with the announcement, inform in writing to,
 - (i) the Board;
 - (ii) all the stock exchanges on which the shares of the target company are listed, and the stock exchanges shall forthwith disseminate such information to the public; and
 - (iii) the target company at its registered office.

3.7 DISCLOSURES UNDER SEBI (Substantial Acquisition of Shares and Takeover) REGULATIONS, 2011

Regulation	Particulars of Event	Disclosure
29	DISCLOSURE ON ACQUISITION & DISPOSAL	
(1)	Any acquirer, together with the persons acting in concert with him acquiring shares or voting rights in a target company, which taken together aggregates to 5% or more of shares of such target company or 10% or more of shares of such target company which is a listed entity, having listed its specified securities on Innovators Growth Platform.	Disclosure shall be made within 2 working days of receipt of intimation of allotment of shares, or acquisition or disposal of shares or voting rights in the target company to; <ul style="list-style-type: none"> A) Every Stock Exchanges where the shares of the Target Company are listed and B) The Target Company at its Registered Office
(2)	Any person together with persons acting in concert with him, holds shares or voting rights entitling them to 5% or more of the shares or voting rights in a target company, shall disclose the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation(1) or under this sub-regulation; and such change exceeds 2% of total shareholding or	Disclosure shall be made within 2 working days of receipt of intimation of allotment of shares, or acquisition or disposal of shares or voting rights in the target company to; <ul style="list-style-type: none"> A) Every Stock Exchanges where the shares of the Target Company are listed; and B) The Target Company at its Registered Office.

	<p>voting rights in the target company, in such form as may be specified.</p> <p>(In case of listed entities which have listed its specified securities of Innovators Growth Platform, 5% shall be read as 10% and 2% shall be read as 5%)</p>	
31	DISCLOSURE OF ENCUMBERED SHARES	
(1)	<p>The promoter of every target company shall disclose details of shares in such target company encumbered by him or persons acting in concert with him.</p> <p>Provided that the disclosure requirement shall not be applicable where such encumbrance is undertaken in a depository.</p>	<p>Disclosure shall be made with seven working days from creation or invocation or release of encumbrance, as the case may be, to:</p> <p>A) Every stock exchanges where the shares of the target company are listed; and</p> <p>B) Target company at its registered office.</p>
(2)	<p>The promoter of every target company shall disclose details of any invocation of such encumbrance release of such encumbrance of share.</p> <p>Provided that the disclosure requirement shall not be applicable where such encumbrance is undertaken in a depository.</p>	<p>Disclosure shall be made with seven working days from creation or invocation or release of encumbrance, as the case may be, to;</p> <p>A) Every stock exchanges where the shares of the target company are listed; and</p> <p>B) Target company at its registered office.</p>
(4)	<p>The promoter of every target company shall declare on a yearly basis that he, along with the persons acting in concert, has not made any encumbrance directly or indirectly, other than those already disclosed during the financial year.</p>	<p>Disclosure shall be made within 7 working days from the end of financial year to:</p> <p>A) Every stock exchanges where the shares of the target company are listed; and</p> <p>B) The Audit Committee of the target company.</p>



4. SEBI (BUY-BACK OF SECURITIES) REGULATIONS, 2018

4.1 Introduction

The SEBI (Buyback of Securities) Regulations, 2018, marks a milestone in the Indian securities market, providing a comprehensive framework that governs the process of buyback of shares by companies listed on stock exchanges. A buyback is a corporate financial strategy where a company repurchases its own shares from the market, leading to a reduction in the total number of outstanding shares.

The regulations outline various aspects of the buyback process, including:

1. **Conditions for Buyback:** SEBI has established eligibility criteria and conditions that companies must fulfil to initiate a buyback, ensuring that companies have the financial strength to repurchase their shares.
2. **Tender Offer Mechanism:** The regulations prescribe the procedure for the tender offer, specifying how companies should make an offer to their shareholders and the manner in which shareholders can tender their shares.
3. **Regulation of Insider Trading:** SEBI (Buyback of Securities) Regulations, 2018, includes provisions to prevent insider trading during the buyback process, ensuring a level playing field for all investors.
4. **Monitoring and Reporting:** Companies undertaking buybacks are required to comply with reporting and disclosure requirements to keep the market informed and maintain transparency.

The SEBI (Buyback of Securities) Regulations, 2018, reflects SEBI's commitment to fostering a fair and efficient securities market in India. By establishing a clear framework for buyback transactions, the regulations aim to balance the interests of shareholders, protect market integrity, and contribute to the overall development of the Indian capital market.

4.2 Applicability

These regulations shall be applicable to buy-back of shares or other specified securities of a company in accordance with the applicable provisions of the Companies Act, 2013.

4.3 Pre-requisite conditions and requirements for buy-back of shares and specified securities which is to be kept in mind.

1. The Maximum limit for Buy-back shall be *lower* of the following:
 - (a) 25% or less of the aggregate of the paid-up share capital of the Company and its free reserves based on Standalone Financial Statements.
 - (b) 25% or less of the aggregate of the paid-up share capital of the Company and its free reserves based on Consolidated Financial Statements.
2. The Ratio of the aggregate of secured and unsecured debts owed by the Company to the paid-up capital and free reserves after buy-back shall -
 - Be less than or equal to 2:1, based on the standalone or consolidated financial statements of the Company, whichever sets out a lower amount or that higher ratio, if Companies Act, 2013 provides otherwise by way of a notification shall prevail; or
 - be less than or equal to 2:1, based on the standalone or consolidated financial statements of the Company, whichever sets out a lower amount, after excluding financial statements of all subsidiaries that are Non-Banking Financial Companies and Housing Finance Companies regulated by Reserve Bank of India or National Housing Bank, as the case may be.

Provided that buy-back of securities shall be permitted only if all such excluded subsidiaries have their ratio of aggregate of secured and unsecured debts to the paid-up capital and free reserves of not more than 6:1 on standalone basis.
3. All shares and/or securities sought to be bought back must be fully paid-up.
4. Methods of Buy-back:
 - (a) from the existing shareholders or other specified securities holders on a proportionate basis through the tender offer;
 - (b) from the open market, through-
 - (i) book-building process
 - (ii) stock exchange
5. The Company shall not buy-back its shares or other specified securities;
 - with an intention to delist the same from stock exchange;

- from any person through negotiated deals, whether on or off the stock exchange or through spot transactions or through any private arrangement.
6. No offer for buy-back shall be made by the Company within a period of one year reckoned from the date of expiry of buy-back period of the preceding offer of buy-back, if any.
 7. The Company shall not be allowed to buy-back its shares unless the consequent reduction of its share capital is affected.
 8. Sources of Buy-back - A Company may undertake a buy-back of its own shares or other specified securities out of—
 - (a) its free reserves;
 - (b) the securities premium account; or
 - (c) the proceeds of the issue of any shares or other specified securities

Provided that no such buy-back shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities.

9. No Company shall directly or indirectly purchase its own shares or other specified securities;
 - (a) Through any subsidiary company including its own subsidiary companies;
 - (b) Through any investment company or group of investment companies; or
 - (c) If a default is made by the Company in the repayment of deposits accepted either before or after the commencement of the Companies Act, interest payment hereon, redemption of debentures or preference shares or payment of dividend to any shareholder, or repayment of any term loan or interest payable thereon to any financial institution or banking company.

Provided that the buy-back is not prohibited, if the default is remedied and a period of three years has lapsed after such default ceased to subsist.

4.4 General compliance and filing requirements

1. A Company shall not authorize buy-back whether by way of tender offer or from open market, unless;
 - The Buy-back is authorised by the *Articles of Association* of the Company. In case the Articles do not provide for the buyback then the Company shall *first alter its articles* and thereafter proceed when they buy back.

- A *Special Resolution (SR)* authorising the buyback has been passed at the General Meeting (GM) of the Company.

However, no such special resolution shall be required in cases where the amount for the buyback does not exceed 10% of the aggregate of the paid-up share capital (PUSC) of the Company and the free reserves (FR), based on a Standalone Financial Statements (SFS) or on a Consolidated Financial Statements (CFS), whichever is lower. In such a case, the authorization by the board of directors of the Company by way of a board resolution will suffice.

(To sum up, if the amount of buyback does not exceed 10% of PUSC & FR based on the SFS or CFS, BR will suffice, else SR in GM has to be passed)

- In case where the Special Resolution is required for authorising the buyback, the notice of the General Meeting shall be accompanied by an Explanatory Statement in accordance with the provisions contained in Section 102 of the Companies Act, 2013. The mandatory contents of the explanatory statement are enlisted below;
 - (a) Disclosures under sub-section 3 of section 68 of the Companies Act 2013;
 - (i) a full and complete disclosure of all material facts;
 - (ii) the necessity for the buy-back;
 - (iii) the class of shares or securities intended to be purchased under the buy-back;
 - (iv) the amount to be invested under the buy-back; and
 - (v) the time-limit for completion of buy-back.
 - (b) **Where the buy-back is through tender offer from existing securities holders**, the explanatory statement shall contain the following additional disclosures;
 - (i) the maximum price at which the buy-back of shares or other specified securities shall be made and whether the board of directors of the Company is being authorised at the general meeting to determine subsequently the specific price at which the buy-back may be made at the appropriate time;
 - (ii) if the promoter intends to offer his shares or other specified securities, the quantum of shares or other specified securities proposed to be

tendered and the detail of their transactions and their holdings for the last six months prior to the passing of the special resolution for buy-back including information of number of shares or other specified securities acquired, the price and the date of acquisition.

2. The Company must ensure that the buyback is completed within a period of *one year from the date of passing the Special Resolution* at the General Meeting or of passing the Board Resolution in the board meeting as the case may be.
3. The Company shall, after expiry of the buy-back period, file with the Registrar of Companies (RoC) and the Board, a return containing such particulars relating to the buy-back within thirty days of such expiry, in the format as specified in the Companies (Share Capital and Debentures) Rules, 2014.
4. A copy of the Resolution passed at the General Meeting under sub-section (2) of section 68 of the Companies Act shall be filed with the Board and the Stock Exchanges where the shares or other specified securities of the company are listed, *within seven working days* from the date of passing of the resolution.
5. Where the buy-back is from open market either through the Stock Exchange or through book building, the resolution of Board of Directors shall specify the maximum price at which the buy-back shall be made.

Note: In case of a buy-back through tender offer, the Board of Directors of the Company may, till one working day prior to the record date, increase the maximum buy-back price and decrease the number of securities proposed to be bought back, such that there is no change in the aggregate size of the buy-back.

6. A Company, authorized by a resolution passed by the board of directors at its meeting to buy-back its shares or other specified securities under the proviso to clause (b) of sub-section (2) of section 68 of the Companies Act, 2013 shall file a copy of the resolution, with the Board and the stock exchanges, where the shares or other specified securities of the Company are listed, within two working days of the date of the passing of the resolution.
7. No insider shall deal in shares or other specified securities of the Company on the basis of unpublished price sensitive information relating to buy-back of shares or other specified securities of the Company.
8. It must be noted that all the filings to the Board under these regulations shall be made electronically after it is digitally signed by the Company Secretary of the Company or any other person authorised by the Board in this regard.

4.5 Various compliances under Buyback through Tender Offer

I. Disclosures, filing requirements and timelines for public announcement

1. The Company which has been authorised by a Special Resolution or a resolution passed by the Board as the case may be, shall **within two working days** from the date of declaration of the results of the postal ballot for special resolution or board resolution as the case may be, shall make a public announcement in the following newspapers;
 - (a) At least one English National Daily, and
 - (b) At least one Hindi National Daily, and
 - (c) At least one Regional Daily;all with wide circulation at the place where the Registered Office of the Company is situated and the said public announcement shall contain all the material information as specified by the Board.
2. Simultaneously, the Company is required to file a copy of the public announcement with the board and the stock exchanges electronically, where the shares or the specified securities of the company are listed.
3. Stock exchange shall forthwith disseminate the public announcement to the public.
4. A copy of the public announcement shall also be placed on the websites of the Company, stock exchanges and the merchant banker.

II. Disclosures, filing requirements and timelines for letter of offer

The Company shall within **two working days** from the record date file the following documents in electronic mode with the Board:

- (a) A *letter of offer* containing such details as may be specified by the board, through the merchant banker, who is not an associate of the Company.
- (b) A *certificate* in such form as may be specified by the Board, *issued by the merchant banker*, who is not an associate of the Company, certifying that the buy-back offer is in compliance of these regulations and the letter of offer contains the information as specified under these regulations.
- (c) A *Declaration of Solvency* as provided under Section 68 (6) of the Companies Act, 2013.

It is to be noted that in case the buyback is made through the tender offer, then, the Company is not required to file the draft letter of offer with the Board.

III. Extinguishment of Certificates and closure compliances

1. The Company shall extinguish and physically destroy the securities certificates so bought back in the presence of a registrar to an issue or the Merchant Banker and the Secretarial Auditor, *within fifteen days* of the date of acceptance of the shares or other specified securities.

Provided that the Company shall ensure that all the securities bought-back are extinguished within seven working days of expiry of buy-back period.

Furthermore, it is clarified in the regulation 11 that the aforesaid period of fifteen working days shall in no case extend beyond seven working days of expiry of buy-back period.

2. The shares or other specified securities offered for buy-back if already dematerialised shall be extinguished and destroyed in the manner specified under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, and the bye-laws, the circulars and guidelines framed thereunder.
3. The Company shall, furnish a certificate to the Board *within seven working days* of the extinguishment and destruction of certificates, certifying compliance as specified in sub-regulation (i) above, and duly certified and verified by:
 - (a) the registrar and whenever there is no registrar, by the merchant banker;
 - (b) two directors of the Company, one of whom shall be a managing director, where there is one; and
 - (c) the Secretarial Auditor of the Company.
4. The Company shall furnish the particulars of the securities certificates extinguished and destroyed under sub-regulation (i), to the Stock Exchanges where the shares of the Company are listed *within seven days* of extinguishment and destruction of the certificates.
5. Where a Company buys back its shares or other specified securities under these regulations, it shall maintain a register of the shares or securities so bought, the consideration paid for the shares or securities bought back, the date of cancellation of shares or securities, the date of extinguishing and physically destroying the shares or

securities and such other particulars as may be prescribed in sub-section (9) of section 68 of the Companies Act, 2013.

4.6 Various compliances under Buyback from Open Market

1. The buy-back of shares or other specified securities from the open market may be in any one of the following methods:
 - (a) through stock exchange, or
 - (b) book-building process
2. The Company shall ensure that atleast 75% of the amount earmarked for buy-back, as specified in the resolution of the board of directors or the special resolution, as the case may be, is utilized for buying-back shares or other specified securities.
3. The Company shall ensure that at a minimum of 40% of the amount earmarked for the buy-back, as specified in the resolution of the Board of Directors or the special resolution, as the case may be, is utilized within the initial half of the specified duration.

4.7 Buyback through Stock Exchange

I. Disclosures, filing requirements and timelines for public announcement

1. The Company shall appoint a merchant banker and make a public announcement in the same manner as pertaining to tender offer.
2. The public announcement shall be made *within two working days* from the date of passing the board resolution or date of declaration of results of the postal ballot for special resolution, as relevant and shall contain disclosures as specified by the Board.
3. Simultaneously, the Company is required to file a copy of the public announcement with the board and the stock exchanges electronically, where the shares or the specified securities of the company are listed.
4. Stock exchange shall forthwith disseminate the public announcement to the public.
5. A copy of the public announcement shall also be placed on the websites of the Company, stock exchanges and the merchant banker.
6. The public announcement shall also contain disclosures regarding details of the brokers and stock exchanges through which the buy-back of shares or other specified securities would be made.

Note:

- (a) The Company is not required to file the draft letter of offer with the Board.
- (b) The buy-back through stock exchanges shall be undertaken only in respect of frequently traded shares.
- (c) The buy-back through stock exchanges shall be subject to the restrictions on placement of bids, price and volume as specified by the Board.

II. Subsequent compliances for open market buy-back through stock exchange

- 1. The Company shall submit the information regarding the shares or other specified securities bought-back, to the stock exchange on a *daily basis* in such form as may be specified by the Board and the stock exchange shall upload the same on its official website immediately.
- 2. The Company shall upload the information regarding the shares or other specified securities bought-back on its website on a daily basis.
- 3. A Company may buy-back its shares or other specified securities in physical form in the open market through stock exchange by following the procedure as provided hereunder:
 - (i) A separate window shall be created by the stock exchange, which shall remain open during the period of buy-back, for buy-back of shares or other specified securities in physical form.
 - (ii) The Company shall buy-back shares or other specified securities from eligible shareholders holding physical shares through the separate window specified in sub-regulation(i), only after verification of the identity proof and address proof by the broker.
 - (iii) The price at which the shares or other specified securities are bought back shall be the volume weighted average price of the shares or other specified securities bought-back, other than in the physical form, during the calendar week in which such shares or other specified securities were received by the broker.

III. Extinguishment of certificates for open market buy-back through stock exchange

- 1. The provisions pertaining to the extinguishment of certificates for tender offers shall apply for extinguishment of certificates under buyback of shares or other specified securities through stock exchanges.
- 2. The company shall complete the verification of acceptances within fifteen working days of the payout.

3. The Company shall extinguish and physically destroy the securities certificates so bought back during the month in the presence of a Merchant Banker and the Secretarial Auditor on or before the fifteenth day of the succeeding month.
4. The Company shall ensure that all the securities so bought-back are extinguished within seven working days of expiry of buy-back period.

4.8 Buyback through Book Building

A Company may buy-back its shares or other specified securities from its existing securities holders through the book building process.

I. Disclosures, filing requirements and timelines for public announcement

1. The Company, which has been authorised by a special resolution or are solution passed by its Board of Directors, as the case may be, shall appoint a merchant banker and make a public announcement within two working days from the date of the approval of Board of Directors or of the shareholders, as the case may be.
2. The disclosures in the public announcement shall be made in accordance with the manner as specified in these regulations.
3. The book building process shall commence within seven working days from the date of the public announcement.
4. The public announcement shall contain the detailed methodology pertaining to intimation required to be made prior to the opening of the buy-back offer as specified by the Board.

- II. **Extinguishment of certificates:** The provisions pertaining to extinguishment of certificates for tender offer shall be applicable mutatis mutandis to the buy-back through book building.

4.9 General Obligations

I. Company

1. The Company shall ensure that:
 - (a) the letter of offer, the public announcement of the offer or any other advertisement, circular, brochure, publicity material shall contain true, factual and material information and shall not contain any misleading information and must state that the directors of the Company accept the responsibility for the information contained in such documents;

- (b) the Company shall not issue any shares or other specified securities including by way of bonus till the date of expiry of buyback period for the offer made under these regulations;
 - (c) the Company shall pay the consideration only by way of cash;
 - (d) the Company shall not withdraw the offer to buy-back after the draft letter of offer is filed with the Board or public announcement of the offer to buy-back is made;
 - (e) the promoter(s) or his/their associates shall not deal in the shares or other specified securities of the Company in the stock exchange or off-market, including inter-se transfer of shares among the promoters during the period from the date of passing the resolution of the board of directors or the special resolution, as the case may be, till the closing of the offer.
 - (f) the Company shall not raise further capital for a period of one year from the expiry of buyback period, except in discharge of its subsisting obligations.
2. No public announcement of buy-back shall be made during the pendency of any scheme of amalgamation or compromise or arrangement pursuant to the provisions of the Companies Act.
 3. The Company shall nominate a Compliance Officer and investors service centre for compliance with the buy-back regulations and to redress the grievances of the investors.
 4. The particulars of the security certificates extinguished and destroyed shall be furnished by the Company to the stock exchanges where the shares or other specified securities of the Company are listed within seven working days of extinguishment and destruction of the certificates.
 5. The Company shall within two working days of expiry of buy-back period issue a public advertisement in a national daily, inter alia, disclosing:
 - number of shares or other specified securities bought;
 - price at which the shares or other specified securities bought;
 - total amount invested in the buy-back;

- details of the securities holders from whom shares or other specified securities exceeding one percent of total shares or other specified securities were bought back; and
 - the consequent changes in the capital structure and the shareholding pattern after and before the buy-back.
6. The Company in addition to these regulations shall comply with the provisions of buy-back as contained in the Companies Act and other applicable laws.

II. Merchant Banker

1. The merchant banker shall ensure that—
- (a) the Company is able to implement the offer;
 - (b) the provision relating to escrow account has been complied with;
 - (c) firm arrangements for monies for payment to fulfil the obligations under the offer are in place;
 - (d) the public announcement of buy-back is made in terms of the regulations;
 - (e) the letter of offer has been filed in terms of the regulations;
 - (f) a due diligence certificate along with the draft letter of offer has been furnished to the Board;
 - (g) the contents of the public announcement of offer as well as the letter of offer are true, fair and adequate and quoting the source wherever necessary;
 - (h) due compliance of sections 68, 69 and 70 of the Companies Act and any other laws or rules as may be applicable in this regard has been made;
 - (i) the bank with whom the escrow or special amount has been deposited releases the balance amount to the Company only upon fulfilment of all obligations by the Company under the regulations;
 - (j) a final report in the electronic mode shall be submitted to the Board within fifteen working days from the date of expiry of the buy-back period.



5. SEBI [PROHIBITION OF INSIDER TRADING (PIT)] REGULATIONS, 2015

5.1 Introduction

In its relentless pursuit of maintaining market integrity and protecting the interests of investors, the Securities and Exchange Board of India (SEBI) introduced the "Prohibition on Insider Trading" Regulations in 2015. Insider trading, the unauthorized use of non-public information for trading in securities, poses a significant threat to market fairness and investor confidence. The SEBI (Prohibition on Insider Trading) Regulations, 2015, represent a crucial regulatory framework designed to curb illicit practices, promote transparency, and safeguard the sanctity of the securities market in India.

5.2 Key Objectives

- (i) **Preventing Unfair Practices:** The primary objective of these regulations is to prevent unfair trading practices arising from the misuse of confidential and unpublished information by insiders, ensuring a level playing field for all market participants.
- (ii) **Safeguarding Investor Interests:** The regulations aim to protect the interests of investors by promoting fair and transparent trading conditions. This involves preventing those with access to privileged information from gaining an undue advantage over other market participants.
- (iii) **Maintaining Market Integrity:** SEBI seeks to maintain the integrity and credibility of the securities market by curbing insider trading, which can erode trust and confidence in the financial system.

The SEBI (Prohibition on Insider Trading) Regulations, 2015, stand as a robust framework aimed at eradicating the menace of insider trading and fostering a fair and transparent securities market in India. By delineating clear guidelines, enforcing strict compliance, and emphasizing the importance of ethical conduct, these regulations contribute significantly to the overall integrity and resilience of the Indian capital market.

To begin with, first of all, let us have an idea about the important terms which will be used frequently used while discussing the various parameters of this Regulation.

5.3 Definitions

1. **Insider** - "Insider" means any person who is:

- (i) a connected person; or
- (ii) in possession of or having access to unpublished price sensitive information;

2. **"Connected person" means, -**

- (i) any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.
- (ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established, -
 - (a) an immediate relative of connected persons specified in clause (i); or
 - (b) a holding company or associate company or subsidiary company; or
 - (c) an intermediary as specified in section 12 of the Securities and Exchange Board of India Act, 1992 or an employee or director thereof; or
 - (d) an investment company, trustee company, asset management company or an employee or director thereof; or
 - (e) an official of a stock exchange or of clearing house or corporation; or
 - (f) a member of board of trustees of a mutual fund or a member of the board of directors of the asset management company of a mutual fund or is an employee thereof; or
 - (g) a member of the board of directors or an employee, of a public financial institution as defined in section 2 (72) of the Companies Act, 2013; or
 - (h) an official or an employee of a self-regulatory organization recognised or authorized by the Board; or

- (i). a banker of the company; or
 - (ii). a concern, firm, trust, Hindu undivided family, company, or association of persons wherein a director of a company or his immediate relative or banker of the company, has more than ten per cent. of the holding or interest.
- 3. **Unpublished price sensitive information** – “Unpublished price sensitive information means any information, relating to a Company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –
 - (i) financial results;
 - (ii) dividends;
 - (iii) change in capital structure;
 - (iv) mergers, de-mergers, acquisitions, delisting, disposals and expansion of business and such other transactions;
 - (v) changes in key managerial personnel.
- 4. **Trading**- "Trading' means and includes subscribing, redeeming, switching, buying, selling, dealing, or agreeing to subscribe, redeem, switch, buy, sell, deal in any securities, and "trade" shall be construed accordingly.
- 5. **Trading Day** – “Trading day” means a day on which the recognized stock exchanges are open for trading.
- 6. **Immediate Relative** - “Immediate relative” means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person, or consults such person in taking decisions relating to trading in securities.
- 7. **Generally available information** – “Generally available information" means information that is accessible to the public on a non-discriminatory basis.

5.4 Appointment of a Compliance Officer

Pursuant to the provisions contained in Regulation 2(1)(c) of SEBI (Prohibition of Insider Trading, Regulations, 2015, it is mandatory to appoint a Compliance Officer.

Compliance Officer means any senior officer, designated so and reporting to the board of directors or head of the organization in case board is not there, who is financially literate and is capable of appreciating requirements for legal and regulatory compliance under these regulations and who shall be responsible for compliance of policies, procedures, maintenance of records, monitoring adherence to the rules for the preservation of unpublished price sensitive information, monitoring of trades and the implementation of the codes specified in these regulations under the overall supervision of the board of directors of the listed Company or the head of an organization, as the case may be.

Financially literate shall mean a person who has the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Is it mandatory to appoint a Company Secretary as a Compliance Officer under SEBI (PIT) Regulations, 2015?

Unlike SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is not mandatory to appoint a Company Secretary as a Compliance Officer. Any person, who possess the above-mentioned qualifications can be appointed as a Compliance Officer under SEBI (PIT) Regulations, 2015.

5.5 Trading Plans

Pursuant to the provisions contained in Regulation 5 of SEBI (Prohibition of Insider Trading) Regulations, 2015, an insider shall be entitled to formulate a trading plan and present it to the Compliance Officer for approval and public disclosure pursuant to which trades may be carried out on his behalf in accordance with such plan.

Such Trading Plan shall:

1. not entail commencement of trading on behalf of the insider earlier than six months from the public disclosure of the plan;
2. not entail trading for the period between the twentieth trading day prior to the last day of any financial period for which results are required to be announced by the issuer of the securities and the second trading day after the disclosure of such financial results;
3. entail trading for a period of not less than twelve months;
4. not entail overlap of any period for which another trading plan is already in existence;

5. set out either the value of trades to be effected or the number of securities to be traded along with the nature of the trade and the intervals at, or dates on which such trades shall be effected; and not entail trading in securities for market abuse.

The Compliance Officer:

- ◆ shall review the trading plan to assess whether the plan would have any potential for violation of these regulations and
- ◆ shall be entitled to seek such express undertakings as may be necessary to enable such assessment and to approve and monitor the implementation of the plan.

The Compliance Officer is entitled to review and approve the plan. For this purpose, the insider is required to declare that he is not in possession of unpublished price sensitive information or that he would ensure that any unpublished price sensitive information in his possession becomes generally available before he commences executing his trades. Once satisfied, the Compliance Officer may approve the trading plan, which would then have to be implemented in accordance with these regulations.

The trading plan, once approved, shall be irrevocable and the insider shall mandatorily have to implement the plan, without:

- ◆ being entitled to either deviate from it, or
- ◆ to execute any trade in the securities outside the scope of the trading plan.

It is to be noted that the implementation of Trading Plan shall not be commenced unless the unpublished price sensitive information in the possession of the insider becomes generally available at the time of the commencement of implementation to ensure that the provisions of Regulation 4(1) are complied with.

Upon approval of the Trading Plan, the Compliance Officer shall notify the plan to the Stock Exchanges where the securities are listed.

5.6 Communication or Procurement of Unpublished Price Sensitive Information and Maintenance of a Structured Digital Data Base in cases of Units of Mutual Fund

1. No insider, having the possession of unpublished price sensitive information, shall communicate, provide, or allow access to such information to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

2. No person shall procure from or cause the communication by any insider of unpublished price sensitive information, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
3. The board of directors of an asset management Company with the approval of the Trustees shall make a policy for determination of "legitimate purposes".

The term "legitimate purpose" shall include sharing of unpublished price sensitive information in the ordinary course of business by an insider with Trustees, Registrars and Share Transfer Agents, Custodians, Valuation Agencies, Fund Accountants, Association of Mutual funds of India, Credit Rating Agencies, legal advisors, auditors or other advisors or consultants, except where such sharing has been carried out to evade or circumvent the prohibitions of these regulations.

4. Any person in receipt of unpublished price sensitive information pursuant to a "legitimate purpose" shall be considered an "insider and due notice shall be given to such persons to maintain confidentiality of such unpublished price sensitive information in compliance with these regulations.
5. The board of directors of an asset management Company shall require the parties to execute agreements to contract confidentiality and non-disclosure obligations on the part of such parties and such parties shall keep information so received confidential, except for the purpose specified herein and shall not otherwise deal in the units of a mutual fund when in possession of unpublished price sensitive information.
6. The board of directors or head(s) of the organisation of every person required to handle unpublished price sensitive information shall ensure that a Structured Digital Database (SDD) is maintained containing:-
 - the nature of unpublished price sensitive information;
 - the names of such persons who have shared the information
 - the names of such persons with whom information is shared under this regulation along with the Permanent Account Number or any other identifier authorized by law where Permanent Account Number is not available.

Such database shall not be outsourced and shall be maintained internally with adequate internal controls and checks such as time stamping and audit trails to ensure non tampering of the database.

The Structured Digital Database is preserved for a period of not less than eight years after completion of the relevant transactions and in the event of receipt of any information from the Board

regarding any investigation or enforcement proceedings, the relevant information in the structured digital database shall be preserved till the completion of such proceedings.

5.7 Disclosures by Certain Persons

1. An asset management Company shall, on such date as may be specified by the board and on a quarterly basis thereafter, disclose the details of holdings in the units of its mutual fund schemes, on an aggregated basis, held by the Designated Persons of asset management Company, trustees and their immediate relatives on the platform of Stock Exchanges or in any other manner as may be specified by the Board.
2. Details of all the transactions in the units of its own mutual funds, above such thresholds as may be specified by the Board, executed by the Designated Persons of asset management Company, trustees and their immediate relatives shall be reported by the concerned person to the Compliance Officer of asset management Company within two business days from the date of transaction.

5.8 Codes under SEBI (Prohibition of Insider Trading) Regulations, 2015

CODES		
CODE OF FAIR DISCLOSURE BY LISTED COMPANIES	CODE OF CONDUCT BY LISTED COMPANIES	CODE OF CONDUCT FOR INTERMEDIARIES AND FIDUCIARIES

Code of Fair Disclosure

1. The board of directors of every Company, whose securities are listed on a stock exchange, shall formulate and publish on its official website, a code of practices and procedures for fair disclosure of unpublished price sensitive information that it would follow in order to adhere to each of the principles set out in Schedule A to these regulations, without diluting the provisions of these regulations in any manner.
2. Every such code of practices and procedures for fair disclosure of unpublished price sensitive information and every amendment thereto shall be promptly intimated to the stock exchanges where the securities are listed.

Code of Conduct

1. The board of directors of every listed Company and the board of directors or head(s) of the organisation of every intermediary shall ensure that the Chief Executive Officer or Managing

Director shall formulate a code of conduct with their approval to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B in case of a listed Company and Schedule C in case of an intermediary to these regulations, without diluting the provisions of these regulations in any manner.

2. The board of directors or head(s) of the organisation, of every other person who is required to handle unpublished price sensitive information in the course of business operations shall formulate a code of conduct to regulate, monitor and report trading by their designated persons and immediate relative of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule C to these regulations, without diluting the provisions of these regulations in any manner.

Professional firms such as auditors, accountancy firms, law firms, analysts, insolvency professional entities, consultants, banks etc., assisting or advising listed companies shall be collectively referred to as fiduciaries for the purpose of these regulations.

3. Every listed Company, intermediary and other persons formulating a code of conduct shall identify and designate a compliance officer to administer the code of conduct and other requirements under these regulations.

Code of Conduct v/s Code of Fair Disclosure

Basis of Difference	Code of Conduct	Code of Fair Disclosure
1. Applicability	Designated Persons and their Immediate relatives	Board of Directors and Chief Investor Relations Officer
2. Intent	To regulate, monitor and report trading by its Designated Persons and immediate relatives of Designated Persons	To ensure prompt and uniform disclosure of UPSI and avoid its selective disclosure
3. Minimum Standards	Minimum Standards as per Schedule B	Minimum Standards as per Schedule C
4. Intimation to Stock Exchange	Formulated Code of Conduct to be confirmed to the stock exchange	Formulated Code of fair disclosure and amendments thereto to be intimated to the stock exchange
5. Disclosure on the Website of the Company	Not required	Mandatory

Code of Conduct of Listed Company v/s Code of Conduct of Intermediaries and Fiduciaries

Basis of Difference	Code of Conduct of Listed Company	Code of Conduct of Intermediaries and Fiduciaries
1. Persons responsible for formulation	CEO & MD formulates with the approval of Board of Directors	Head of Organization
2. Minimum Standards	Minimum Standards as per Schedule B	Minimum Standards as per Schedule C
3. Restricted List	No express requirement of maintaining restricted list.	Requires maintenance of restricted list for approving or rejecting applications for pre-clearance of trades.
4. Trading window closure	Trading window is required to be closed by listed entity	Trading window is closed by client listed entity.

5.9 Disclosures under SEBI (PIT) Regulations, 2015**Initial Disclosures (Regulation 7 (1))**

Every person on appointment as a Key-Manual Personnel or a Director of the Company or upon becoming a promoter or member of the promoter group shall disclose his holding of securities of the Company as on the date of appointment or becoming a promoter, to the Company *within seven days* of such appointment or becoming a promoter.

Continual Disclosures (Regulation 7 (2))

Every promoter, member of promoter group, designated person and director of every Company shall disclose to the Company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;

On receipt of above information, the Company shall notify the same to the stock exchange *within 2 trading days* of receipt information or from becoming aware of such information.

Disclosures By Other Connected Persons (Regulation 7 (3))

Any Company whose securities are listed on a stock exchange may, at its discretion require any other connected person or class of connected persons to make disclosures of holdings and trading in securities of the Company in such form and at such frequency as may be determined by the Company in order to monitor compliance with these regulations.

Restriction on Communication / Procurement of Unpublished Price Sensitive Information

1. No insider shall communicate, provide, or allow access to any unpublished price sensitive information, relating to a Company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
2. No person shall procure from or cause the communication by any insider of unpublished price sensitive information, relating to a Company or securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.
3. Notwithstanding anything contained in this regulation, an unpublished price sensitive information may be communicated, provided, allowed access to or procured, in connection with a transaction that would;
 - (a) entail an obligation to make an open offer under the takeover regulations where the board of directors of the listed Company is of informed opinion that sharing of such information is in the best interests of the Company.
 - (b) not attract the obligation to make an open offer under the takeover regulations but where the board of directors of the listed Company is of informed opinion that sharing of such information is in the best interests of the Company and the information that constitute unpublished price sensitive information is disseminated to be made generally available at least two trading days prior to the proposed transaction being effected in such form as the board of directors may determine to be adequate and fair to cover all relevant and material facts.

5.10 Obligations of Insider, Designated Persons, Compliance Officer, Board and Audit Committee**5.10.1 Obligations of Insider**

1. Insider shall not communicate, provide, allow as to UPSI;
2. No person shall procure or cause communication by any insider;
3. Insider shall handle UPSI on 'need to know basis';
4. Share UPSI only for legitimate purpose;
5. Insider shall not trade in securities of the Company while in possession of UPSI.

5.10.2 Obligations of Designated Persons

1. Make timely disclosures pertaining to Initial, annual, continual (trades) disclosures including off-market.
2. Adhere to the Company's code of fair disclosure and code of conduct.
3. Before sharing UPSI, DPs shall ascertain whether sharing of UPSI is for legitimate purposes and enter into confidentiality agreement/ give confidentiality notice.
4. Enter the details of persons with whom UPSI is shared in SDD after sharing UPSI.

5.10.3 Obligations of Compliance Officer

Compliance Officer shall be responsible for maintaining the following records:

- ◆ Database of Designated Persons and immediate relatives, along with other details as prescribed in the Regulations, in the format prescribed in the Code.
- ◆ Structured digital database containing the names of such persons or entities as the case may be with whom information is shared under the Regulations in the prescribed format
- ◆ Trading plans approved;
- ◆ Trades pre-cleared;
- ◆ Details of Trades executed pursuant to pre-clearance;
- ◆ Details of instances where the requirement of holding the listed securities of the Company during the holding period was waived for emergency reasons;
- ◆ Holdings of Designated Persons in the securities of the Company;
- ◆ Initial and Continual Disclosures received under the Regulations;
- ◆ Disclosure in relation to off-market trades by Insiders received under the Regulations;
- ◆ Disclosure of trades received from other connected person under the Regulations;
- ◆ Details of programmes undertaken by the Company for sensitizing the Designated Persons about their responsibilities under the Regulations;
- ◆ Details of violations under the Code and Regulations by Designated Persons;
- ◆ List of directors and employees comprising of the MD/CEO and upto two levels below CEO of the Company and furnishing details to the depositories of any change in the list, on an immediate basis and not later than 2 (two) working days.
- ◆ Record of proceedings of the Inquiry Committee.

5.10.4 Role of Audit Committee

1. Review compliance with the provisions of the Regulations at least once in a financial year;
2. Verify adequacy and effectiveness of the systems for internal control and suggest measures to strengthen the same;
3. Chairman of Audit Committee to receive reports from the Compliance Officer atleast once in a year;
4. Ensuring that the gap between clearance of accounts by Audit Committee and Board Meeting is as narrow as possible and preferably on the same day to avoid leakage of material information.

5.10.5 Role of Board of Directors

1. Designate compliance officer and specify the designated persons for the purpose of this regulations
2. Formulate the Code of fair disclosure of UPSI including policy for determining legitimate purpose.
3. Ensure that code of conduct to regulate, monitor, and report trading by DPs and their immediate relatives is formulated by the CEO/MD.
4. Approve policy and procedure for inquiry in case of leak of UPSI and policy for determination of legitimate purpose.
5. Ensure that UPSI is shared only for legitimate purpose and is in the best interest of the Company.
6. Ensure structured digital database is maintained.
7. Direct parties to execute agreements for maintaining confidentiality and non-disclosure obligations.
8. Specify the DPs in consultation with the compliance officer.
9. Stipulate thresholds and formats for pre-clearance.

TEST YOUR KNOWLEDGE**Multiple Choice Questions (MCQs)****I. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018**

1. Who is responsible for overseeing the compliance of securities laws and addressing investors' grievances?
 - (a) Lead Manager
 - (b) Compliance Officer
 - (c) Syndicate Member
 - (d) Registrar to the Issue
2. In the appointment of lead managers, what safeguards should be there to ensure the protection of investors and compliance with relevant laws?
 - (a) The lead manager must be an associate of the issuer
 - (b) The lead manager's rights and obligations are not predetermined
 - (c) Agreements may include clauses without limiting liabilities
 - (d) The lead manager cannot assess the capability of other intermediaries
3. What is the role of a compliance officer and the importance of appointing one in the context of securities issuance.
 - (a) The compliance officer is responsible for marketing the issue.
 - (b) The compliance officer ensures the issuer's profitability.
 - (c) The compliance officer monitors securities law compliance and addresses investors' grievances.
 - (d) The compliance officer handles post-issue responsibilities.

II. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

4. In the case of in-house share transfer facility, when should a listed entity register with the Board as a Category II share transfer agent or appoint a Registrar to an issue and share transfer agent?
 - (a) When the total number of holders exceeds 50,000

- (b) When the total number of holders exceeds 75,000
 - (c) When the total number of holders exceeds 100,000
 - (d) When the total number of holders exceeds 150,000
5. How often should the Audit Committee of a listed entity meet according to Regulation 18?
- (a) Twice in a year
 - (b) Three times in a year
 - (c) Four times in a year
 - (d) Once in a year
6. Who can be the Chairperson of the Nomination and Remuneration Committee according to Regulation 19?
- (a) Executive Director
 - (b) Independent Director
 - (c) Any Director
 - (d) CEO of the Company

III. SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011

7. What does the term "Acquisition" mean, as per SEBI [Substantial Acquisitions of Shares and Takeover (SAST)] Regulations, 2011?
- (a) Direct or indirect acquisition of shares or voting rights
 - (b) Transfer of control over a target company
 - (c) Purchase of frequently traded shares
 - (d) Acquisition of securities on the Innovators Growth Platform
8. What is the significance of the "Identified Date" in the regulations?
- (a) The date of the public announcement
 - (b) The date when the tendering period begins
 - (c) The date for determining shareholders for sending the letter of offer
 - (d) The date of acquisition of control over a target company

9. What triggers the obligation for a mandatory open offer according to Regulation 3?
- (a) Acquisition of 25% or more of voting rights in a target company
 - (b) Acquisition of 20% or more of shares in a target company
 - (c) Acquisition of control over a frequently traded company
 - (d) Acquisition pursuant to a resolution plan under the Insolvency and Bankruptcy Code

IV. SEBI (Buy-back of Securities) Regulations, 2018

10. What is the maximum limit for buy-back of shares or specified securities based on standalone financial statements?
- (a) 20%
 - (b) 25%
 - (c) 30%
 - (d) 35%
11. Under the SEBI Buy-back Regulations, the company's debt to paid-up capital and free reserves ratio should not exceed:
- (a) 1:1
 - (b) 2:1
 - (c) 3:1
 - (d) 4:1
12. Which source is NOT allowed for buy-back according to SEBI regulations?
- (a) Securities premium account
 - (b) Proceeds of the current buy-back
 - (c) Proceeds of an earlier issue of the same kind
 - (d) Free reserves

V. SEBI [Prohibition of Insider trading (PIT)] Regulations, 2015

13. What is the role of a Compliance Officer as per the SEBI (PIT) Regulations, 2015?
- (a) Monitoring share prices
 - (b) Implementing marketing strategies

- (c) Ensuring compliance with legal and regulatory requirements
 - (d) Conducting financial audits
14. Who can be appointed as a Compliance Officer under SEBI (PIT) Regulations, 2015?
- (a) Any employee of the organization
 - (b) Only the Company Secretary
 - (c) Any person meeting specified qualifications
 - (d) External legal consultants only
15. Which of the following statements regarding Trading Plans is correct?
- (a) Trading can commence immediately after public disclosure of the plan.
 - (b) Trading is allowed during the period around the announcement of financial results.
 - (c) Overlapping with existing trading plans is permissible.
 - (d) The plan must be irrevocable once approved.

ANSWERS/SOLUTIONS

Answers to the MCQ based Questions.

1.	(b)	2.	(c)	3.	(c)	4.	(c)	5.	(c)
6.	(b)	7.	(a)	8.	(c)	9.	(a)	10.	(b)
11.	(b)	12.	(c)	13.	(c)	14.	(c)	15.	(d)